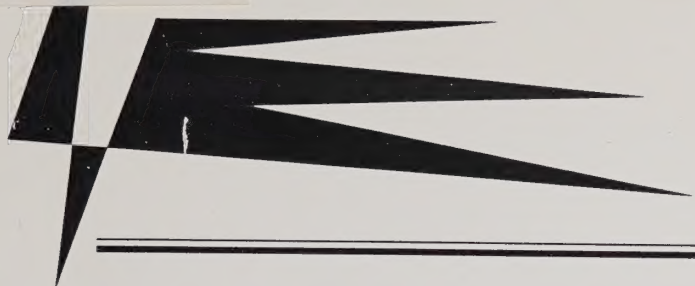


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ECONOMY: 1994 - 1995

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Special Conference of the Association of Bay Area Governments:

San Francisco Bay Area Economy: 1994 and 1995

January 25, 1994

8:30 a.m.	Registration	
9:00 a.m.	Welcome and Overview	Gary Binger Planning Director, ABAG
9:10 - 9:40 a.m.	Economic Outlook for California Why the Serious Downturn Continues Will 1994 Mark a Noticeable Recovery for California? A Few Thoughts on the Longer-Term Outlook	Pauline Sweezy Chief Economist State Dept. of Finance
9:40 -10:30 a.m.	When Will the Region Regain Its Momentum? 1994: Year for Slow Recovery Assessing Gains and Losses What is Necessary for Long-Term Recovery	Raymond J. Brady Research Director, ABAG
10:45 -11:25 a.m.	Taxable Sales and Personal Income: What's Current and What's Ahead Personal Income Forecasts: When Will the Slide Stop? County-by-County Retail Sales Forecasts Surviving the Storm: Forecasts by Type of Business	Eric K. Caindec Senior Analyst, ABAG
11:25 -11:50 a.m.	Our Living Standards on the Line What's Needed to Build a Stronger Economy Or----Will We Just Drift Into the 21st Century?	Walter Hoadley Senior Fellow Hoover Institution
11:50 -12:00 noon	Questions and Answers	

ABAG Speaker Biographies

Gary Binger, Planning Director for the Association of Bay Area Governments, is responsible for directing a comprehensive planning program which includes research and recommendations on demographic, economic, land use and growth issues. Mr. Binger was previously Community Development Director and Chief of Planning for the City of Walnut Creek, California, and Planning Director for the City of Del Mar, California.

He is a member of the American Institute of Certified Planners, the Urban Land Institute, and has been on the Board of Directors of the California Redevelopment Agencies Association. He has also served as Executive Director of the Bay Area Planning Directors' Association. He lectures for the University of California's public policy extension programs. Formal education includes a Bachelor of Architecture degree, graduate planning study at the University of Manchester, England, and a Master's in Urban Planning from the University of Washington.

Raymond J. Brady, Research Director, Analytical and Information Services, is responsible for analytical support services and systems modeling for the Association of Bay Area Governments. His responsibility consists of the maintenance and expansion of information services, economic, demographic, and land use models, and the design of new systems required in the support of other programs in the agency.

Before coming to ABAG, he worked in research groups at the University of Minnesota and the University of New Mexico and for a private environmental engineering consulting firm. Dr. Brady has authored several publications. Dr. Brady has taught quantitative methods at the University of California, Berkeley. He has an economics degree from Louisiana State University, and a planning degree from the University of Arizona. He received his doctorate in Management Systems Engineering from Tulane University.

Eric K. Caindec, Senior Analyst with the Association of Bay Area Governments, is responsible for the forecasting of future employment, housing and population levels throughout the nine counties of the San Francisco Bay Region. His interests lie in operations research, statistical modeling and economic forecasting. Before joining ABAG, he worked as a Cost Analyst for Tecolote Research in Santa Barbara developing forecasting models, collecting and analyzing historical data, and conducting trade-off and sensitivity analyses.

Mr. Caindec is a Certified Cost Analyst as designated through the Society of Cost Estimating and Analysis. He has a B.A. in Economics Mathematics from the University of California, Santa Barbara, and a M.S. in Systems Management from the University of Southern California.

Guest Speaker Biographies

Walter E. Hoadley, Senior Research Fellow at the Hoover Institution, Stanford University. He previously served as executive vice president and chief economist at the Bank of America from 1968-1981. Prior to joining the bank, he was chairman of the Federal Reserve Bank of Philadelphia; chairman of the Conference of the twelve Federal Reserve Banks; and chief financial officer of Armstrong World Industries. His major areas of study are economic forecasting, the global financial system, and management decision-making.

Dr. Hoadley is active in a wide variety of United States and international business and professional groups, and holds a number of corporate directorships. He is an international author and lecturer and is president of the University of California Alumni Association and past-president of the Commonwealth Club of California.

He has written numerous articles on forecasting, global finance, and other economic subjects. His book, "Looking Behind the Crystal Ball," was published in 1988.

Dr. Hoadley received his master's degree and his doctorate in Economics from the University of California at Berkeley.

Pauline Sweezey, Chief Economist for the California Department of Finance. She is responsible for the national and state economic forecasts underlying the Governor's Budget, provides economic advice to the Administration, and produces periodic reports on economic trends and developments in the state. She joined the Department in 1964.

Ms. Sweezey established the Department of Finance Economic Research Unit as a primary source of information on the state and its regions to other levels of government, business, institutions, and individuals.

Ms. Sweezey received her BA in Economics with Honors at Graduation from Stanford University and her MA in Economics from California State University, Sacramento.

Association of Bay Area Governments

ABOUT ABAG

The Association of Bay Area Governments (ABAG) is one of nearly 540 councils of governments across the nation working to help solve problems in areas such as land use, housing, transportation, environmental quality, and economic development.

ABAG is owned and operated by the cities and counties of the San Francisco Bay Area. It was established in 1961 to protect local control, plan for the future, and promote cooperation on areawide issues. In recent years, ABAG has answered the needs of its members by providing low-cost services that save taxpayers millions of dollars.

The General Assembly is the overall governing body of the organization. Each member city and county designates a representative. ABAG's operations are directed by an Executive Board composed of 37 elected officials from member cities and counties. Much of ABAG's work is carried on by committees appointed by the Executive Board, including joint committees with the Metropolitan Transportation Commission and the Bay Area Air Quality Management District. Advisory committees and task forces are appointed from time to time to oversee special programs in areas such as air quality, water quality, energy, and economic development. All meetings are open to the public.

REGIONAL PLANNING

In ABAG's region there are 100 cities and the nine counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. Over 6 million people live in this 7,000-square-mile area.

Where will these people live, where will they work? Will transportation be adequate? How can we improve air and water quality? Will water supplies be sufficient? Are we prepared for a major natural disaster? These are the kinds of questions that cannot be addressed easily without cooperative action among many agencies, organizations, and the general public.

Through its role as an association of cities and counties, ABAG has been designated by the state and federal governments as the official comprehensive planning agency for the Bay Area. Its locally adopted Regional Plan provides a policy guide for managing the region's growth and for planning the region's housing, economic development, environmental quality, transportation, recreation, health and safety.

One of ABAG's vital functions is to provide a forum to resolve local differences through workable compromises. Its active public information program encourages citizen involvement in planning and policy decisions. The Association also sponsors workshops and conferences where local officials, business and industry leaders, special interest groups, and private citizens can discuss programs, regulations, and legislation affecting their communities.

ABAG SERVICES

As city and county budgets are tightened in the slipknot of rising costs and diminishing income, ABAG stretches its services to ease the effect. ABAG offers cost-saving services to its members including demographic information and data analysis, capital financing, liability and property insurance, workers' compensation administration, and specialized training programs — the largest of which, HAZMACON, a hazardous materials conference, attracts 7,000 participants.

Joseph P. Bort MetroCenter
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Oakland, California

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PAUL BATTISTI
Napa County

Executive Director and
Secretary-Treasurer
REVAN TRANTER

CAIS

Center for Analysis and Information Services

The Center for Analysis and Information Services (CAIS) is the research and information unit of the Association of Bay Area Governments, the regional planning agency for the nine-county San Francisco Bay Area.

CAIS provides information and analysis services to public organizations and the private sector. Population projections, demographic and economic analysis, small area market research, and identification of development constraints and potentials are just a few examples of data services that CAIS provides.

Whether you need data, personalized research, planning assistance or technical consulting, CAIS can perform these for you at a cost within your planning or marketing budget.

Please call us for more information.

Raymond J. Brady, D. Engr.	510/464-7928	Research Director
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Eric K. Caindec, MS	510/464-7923	Economic and retail sales forecasting
Yim Lam	510/464-7967	Analyst
Janet McBride, MUPP	510/464-7955	Land use data and development studies
Patricia Perry, MCP, MBA	510/464-7957	1990 Census and environmental review
Hing Wong	510/464-7937	Regional Planner
Chin Ming Yang, Ph.D.	510/464-7925	Data files and modeling

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Allstate Insurance

Aviva Bernstein
Center Cont Study of CA Economy

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Building Division
City of Sunnyvale

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Editor, Bay Area Monitor
LWV Bay Area

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Business Writer
Solano's Daily Ledger

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Auditor-Controller
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1994-1995

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Economic & Planning Systems

ABAG Special Conference:

***San Francisco
Bay Area Economy:
1994 and 1995***

January 25, 1994

*Association of Bay Area Governments
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Oakland, California 94604-2050
(510) 464-7900*

Economic Outlook For California

- ✓ ***Why The Serious Downturn Continues?***
- ✓ ***Will 1994 Mark A Noticeable Recovery in California?***
- ✓ ***A Few Thoughts on the Longer-Term Outlook***

1993

The Year of The Economic Bottom?

✓ Job Declines Bottom Out

✓ Real Income Still Falling

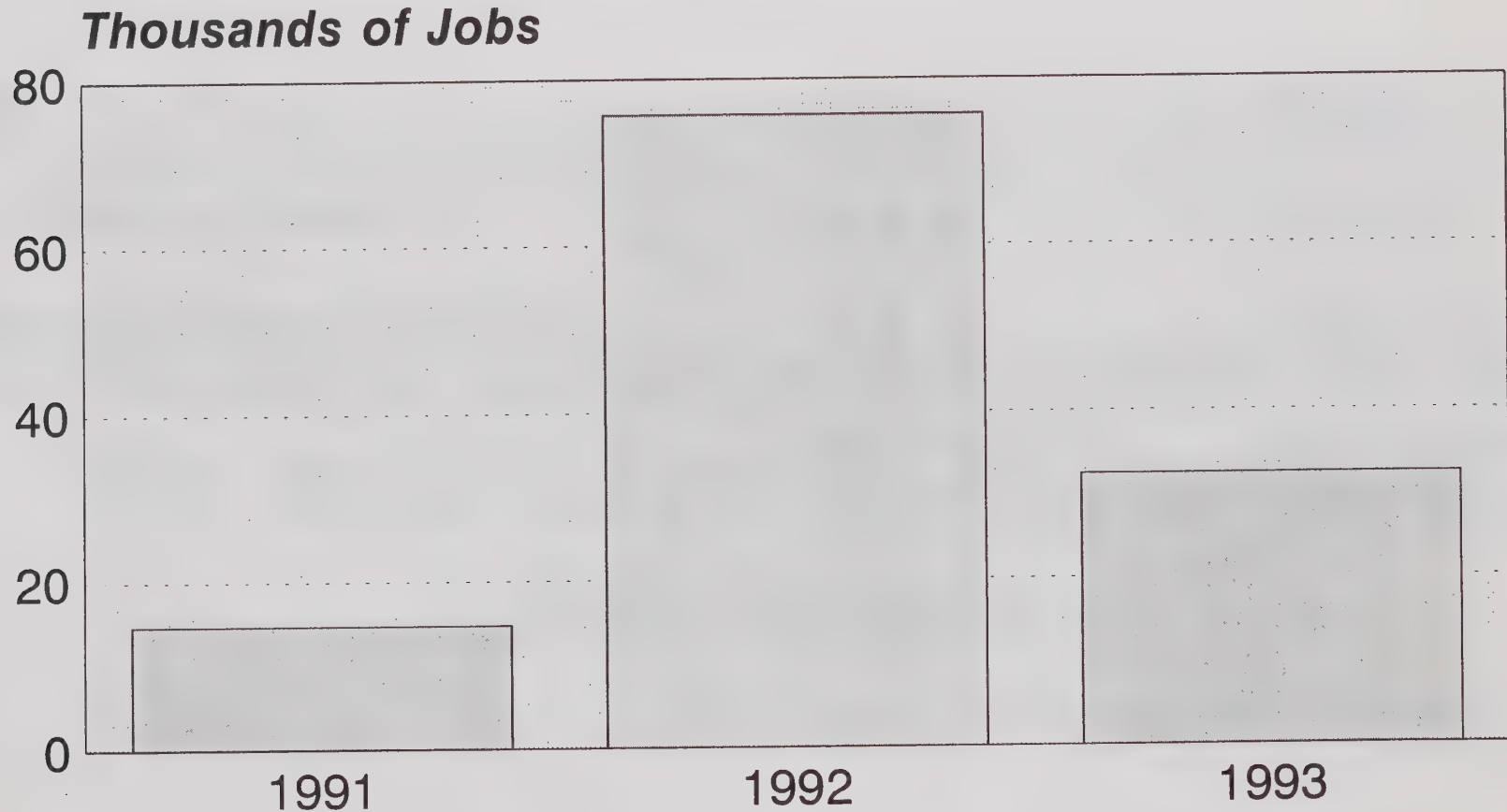
***Structural Changes Appear To Be
The Most Significant Factor in
Job Losses***

Sherlock Holmes Clues

Something is Different in This Bay Area Economy

	1981-1982 Slowdown	1990-1993 Slowdown
Gross Regional Product	-2.5 %	-2.5 %
Personal Income	-0.4 %	-2.9 %
Jobs	-0.7 %	-4.2 %

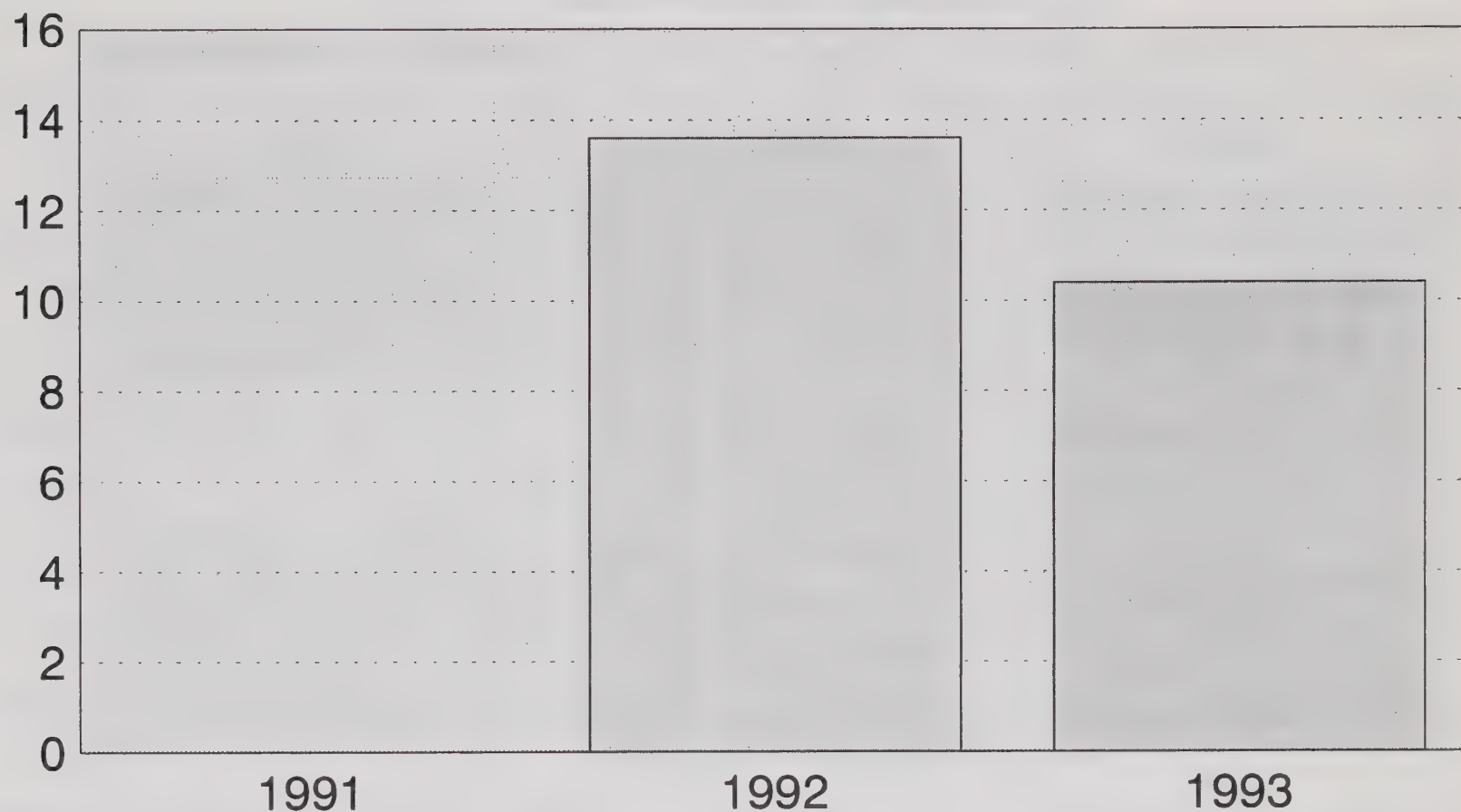
Weathering the Economic Storm: Jobs Lost Nine-County Bay Area



Annual Jobs Lost Over Previous Year

1991 - 14,800 1992 - 75,800 1993 - 32,400

Weathering the Economic Storm: Jobs Lost Oakland MSA (Alameda and Contra Costa Counties)

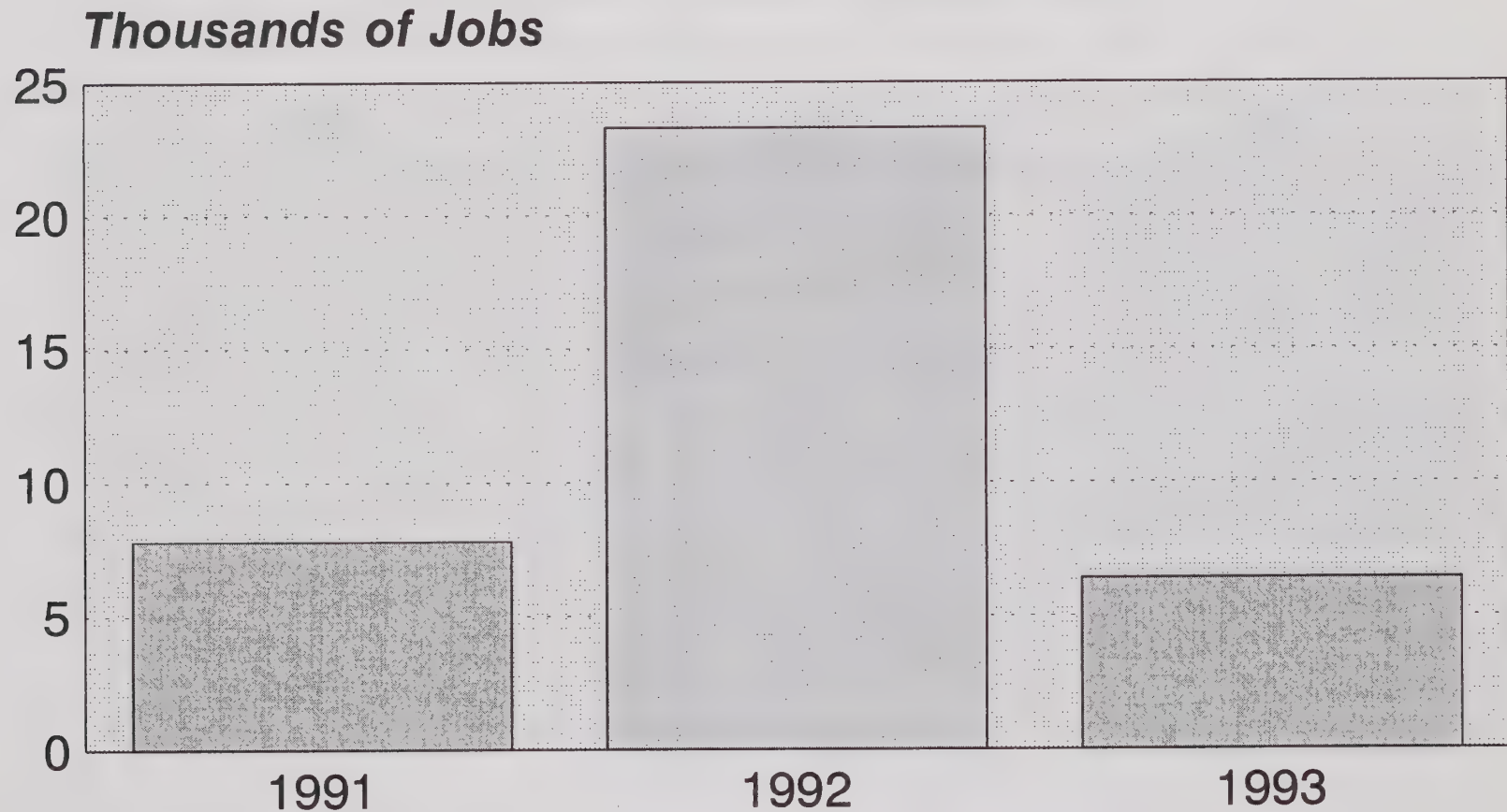


Annual Jobs Lost Over Previous Year

1991 - 0 1992 - 13,600 1993 - 10,400

Weathering the Economic Storm: Jobs Lost

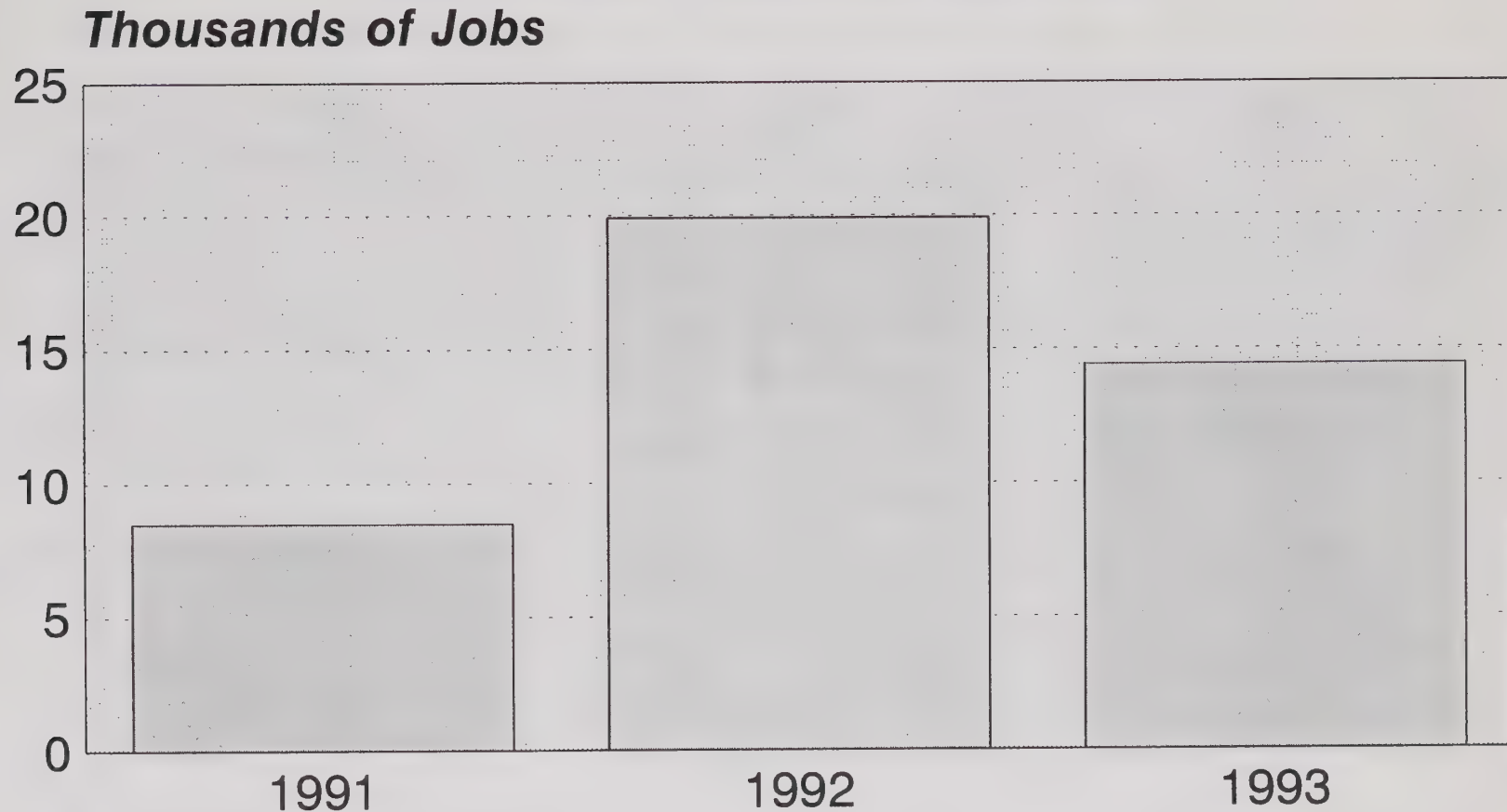
San Francisco MSA (Marin, San Francisco, San Mateo Counties)



Annual Jobs Lost Over Previous Year

■ 1991- 7,800 ■ 1992 - 23,300 ■ 1993 - 6,400

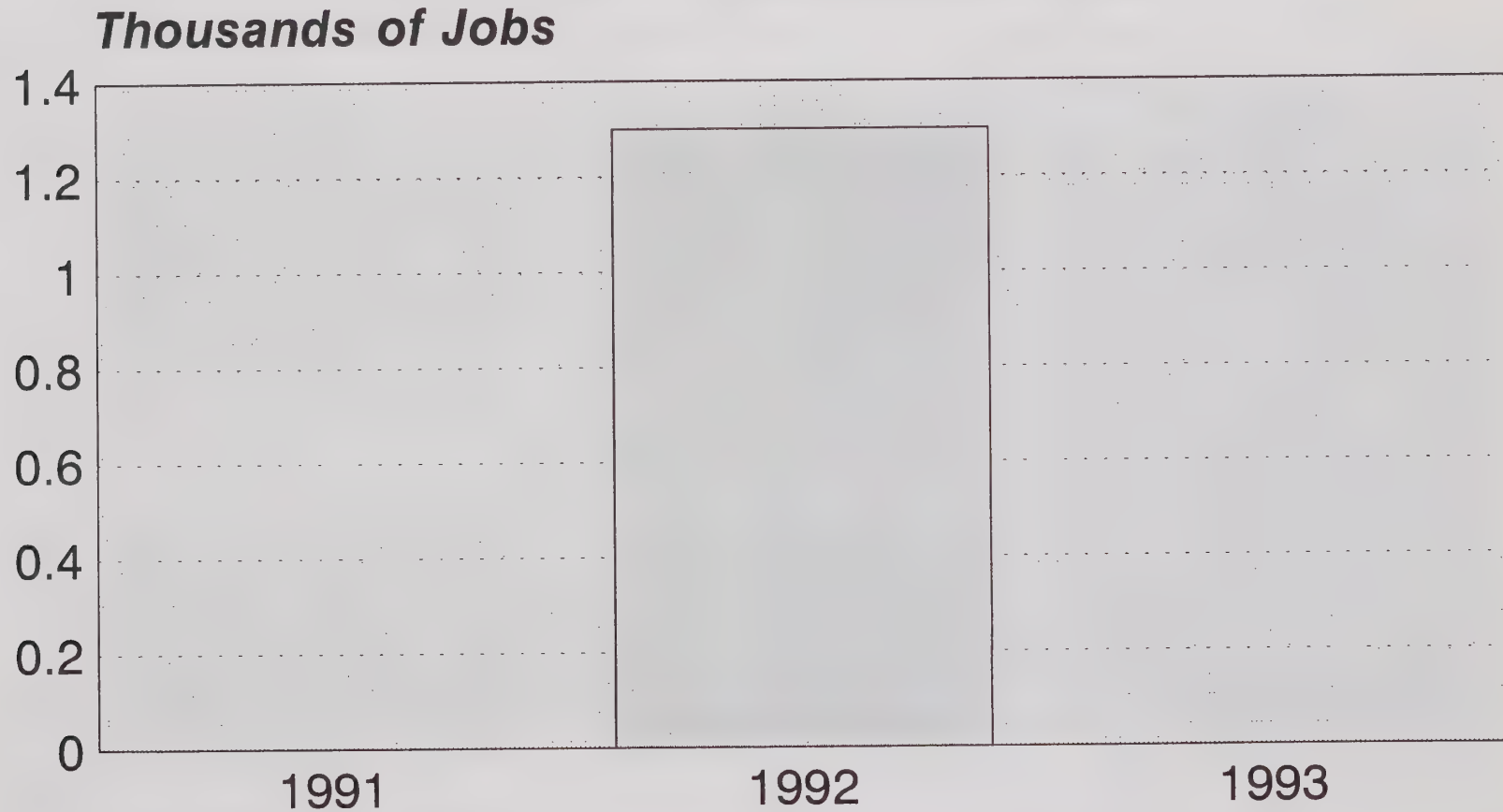
Weathering the Economic Storm: Jobs Lost San Jose PMSA (Santa Clara County)



Annual Jobs Lost Over Previous Year

1991 - 8,500 1992 - 19,900 1993 - 14,400

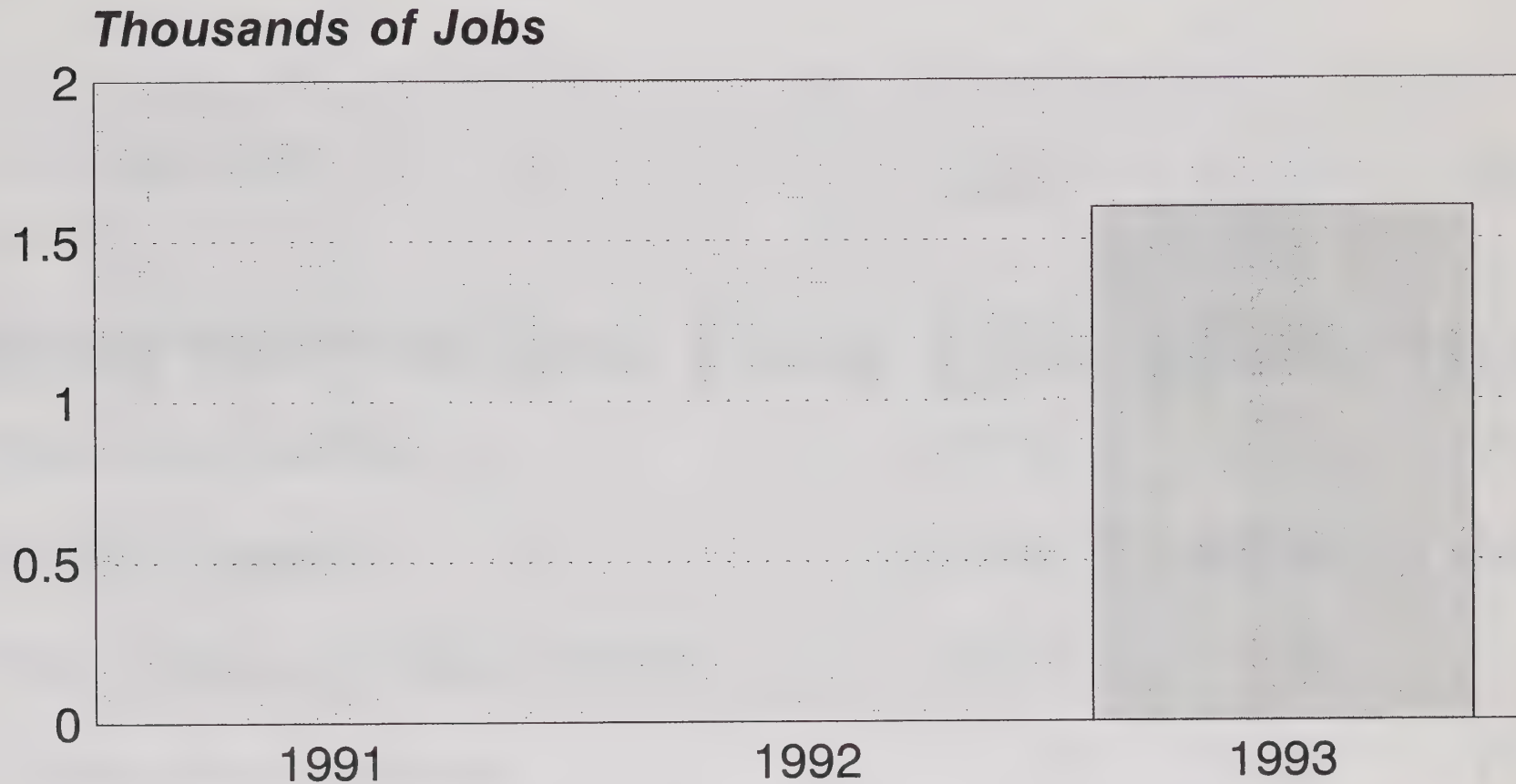
Weathering the Economic Storm: Jobs Lost Santa Rosa MSA (Sonoma County)



Annual Jobs Lost Over Previous Year

1991- none 1992 - 1,300 1993 - 0

Weathering the Economic Storm: Jobs Lost Vallejo-Napa MSA (Solano and Napa Counties)



Annual Jobs Lost Over Previous Year

1991- 0 1992 - 0 1993 - 1,600

What Industries Lost The Most Jobs?

Weathering the Economic Storm: Gross Jobs Lost

Oakland PMSA (Alameda and Contra Costa Counties)

<i>Gross Jobs Lost</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Construction</i>	<i>-2000</i>	<i>-1700</i>	<i>0</i>
<i>Manufacturing</i>	<i>-1300</i>	<i>0</i>	<i>-6300</i>
<i>Retail Trade</i>	<i>-5500</i>	<i>-9000</i>	<i>-2000</i>
<i>Fin., Insur. & Real Estate</i>	<i>-1900</i>	<i>0</i>	<i>0</i>
<i>Communications</i>	<i>0</i>	<i>-1900</i>	<i>-1000</i>
<i>Government</i>	<i>0</i>	<i>0</i>	<i>-3900</i>

Weathering the Economic Storm: Gross Jobs Lost

San Francisco PMSA (Marin, San Francisco and San Mateo Counties)

<i>Gross Jobs Lost</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Construction</i>	<i>-1100</i>	<i>-2400</i>	<i>0</i>
<i>Manufacturing</i>	<i>0</i>	<i>-2400</i>	<i>0</i>
<i>Retail Trade</i>	<i>-3400</i>	<i>-6300</i>	<i>-1300</i>
<i>Fin., Insur. & Real Estate</i>	<i>0</i>	<i>-2800</i>	<i>0</i>
<i>Services</i>	<i>0</i>	<i>-1800</i>	<i>0</i>
<i>Government</i>	<i>0</i>	<i>-5600</i>	<i>-2900</i>

Weathering the Economic Storm: Gross Jobs Lost

San Jose PMSA (Santa Clara County)

<i>Gross Jobs Lost</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Construction</i>	<i>-1400</i>	<i>0</i>	<i>0</i>
<i>Manufacturing</i>	<i>-6700</i>	<i>-16600</i>	<i>-11700</i>
<i>Computers</i>	<i>0</i>	<i>-8300</i>	<i>-3200</i>
<i>Electronics</i>	<i>-3700</i>	<i>-4000</i>	<i>-2000</i>
<i>Transport Equip.</i>	<i>-2300</i>	<i>-2600</i>	<i>-4600</i>
<i>Instruments</i>	<i>-1200</i>	<i>0</i>	<i>-2600</i>
<i>Wholesale Trade</i>	<i>-2500</i>	<i>-2800</i>	<i>-1400</i>
<i>Retail Trade</i>	<i>-1500</i>	<i>-4000</i>	<i>-2800</i>
<i>Government</i>	<i>0</i>	<i>0</i>	<i>-1900</i>

Weathering the Economic Storm: Gross Jobs Lost Santa Rosa MSA (Sonoma County)

<i>Gross Jobs Lost</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Construction</i>	<i>-700</i>	<i>-700</i>	<i>0</i>
<i>Manufacturing</i>	<i>-1000</i>	<i>0</i>	<i>0</i>
<i>Transport, Comm., and Util.</i>	<i>0</i>	<i>-400</i>	<i>0</i>
<i>Retail Trade</i>	<i>0</i>	<i>-1200</i>	<i>-500</i>
<i>Services</i>	<i>0</i>	<i>-600</i>	<i>0</i>

Weathering the Economic Storm: Gross Jobs Lost Vallejo-Napa MSA (Napa-Solano Counties)

<i>Gross Jobs Lost</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Manufacturing</i>	<i>0</i>	<i>0</i>	<i>-900</i>
<i>Retail Trade</i>	<i>0</i>	<i>-600</i>	<i>0</i>
<i>Fin., Insur. & Real Estate</i>	<i>0</i>	<i>-300</i>	<i>0</i>
<i>Government</i>	<i>0</i>	<i>0</i>	<i>-1900</i>

What Industries Gained the Most Jobs ?

Industries Adding Jobs During Slowdown

Oakland PMSA (Alameda and Contra Costa Counties)

<i>Gross Jobs Gained</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Personal Services</i>	<i>1000</i>	<i>0</i>	<i>0</i>
<i>Business Services</i>	<i>6200</i>	<i>0</i>	<i>0</i>
<i>Engineer. & Manage. Services</i>	<i>2000</i>	<i>0</i>	<i>0</i>
<i>Health Services</i>	<i>2000</i>	<i>1200</i>	<i>1400</i>
<i>Finance, Insur. & Real Estate</i>	<i>0</i>	<i>2000</i>	<i>0</i>

Industries Adding Jobs During Economic Slowdown

San Francisco PMSA (Marin, San Francisco and San Mateo Counties)

<i>Gross Jobs Gained</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Transportation--Air</i>	<i>1300</i>	<i>0</i>	<i>0</i>
<i>Transportation--Water</i>	<i>0</i>	<i>900</i>	<i>0</i>
<i>Health Services</i>	<i>1300</i>	<i>1400</i>	<i>0</i>
<i>Business Services</i>	<i>0</i>	<i>0</i>	<i>700</i>
<i>Educational Services</i>	<i>0</i>	<i>0</i>	<i>700</i>

Industries Adding Jobs During Slowdown

San Jose PMSA (Santa Clara County)

<i>Gross Jobs Gained</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Computers</i>	<i>1300</i>	<i>0</i>	<i>0</i>
<i>Business Services</i>	<i>1000</i>	<i>4400</i>	<i>6300</i>
<i>Health Services</i>	<i>2100</i>	<i>1400</i>	<i>1100</i>
<i>Chemicals</i>	<i>0</i>	<i>1000</i>	<i>0</i>

Industries Adding Jobs During Slowdown

Santa Rosa MSA (Sonoma County)

<i>Gross Jobs Gained</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Business Services</i>	<i>1300</i>	<i>0</i>	<i>0</i>
<i>Health Services</i>	<i>1500</i>	<i>0</i>	<i>0</i>
<i>All Other Services</i>	<i>1200</i>	<i>0</i>	<i>0</i>
<i>Finance, Insur. & Real Estate</i>	<i>0</i>	<i>900</i>	<i>0</i>
<i>Construction</i>	<i>0</i>	<i>0</i>	<i>1000</i>

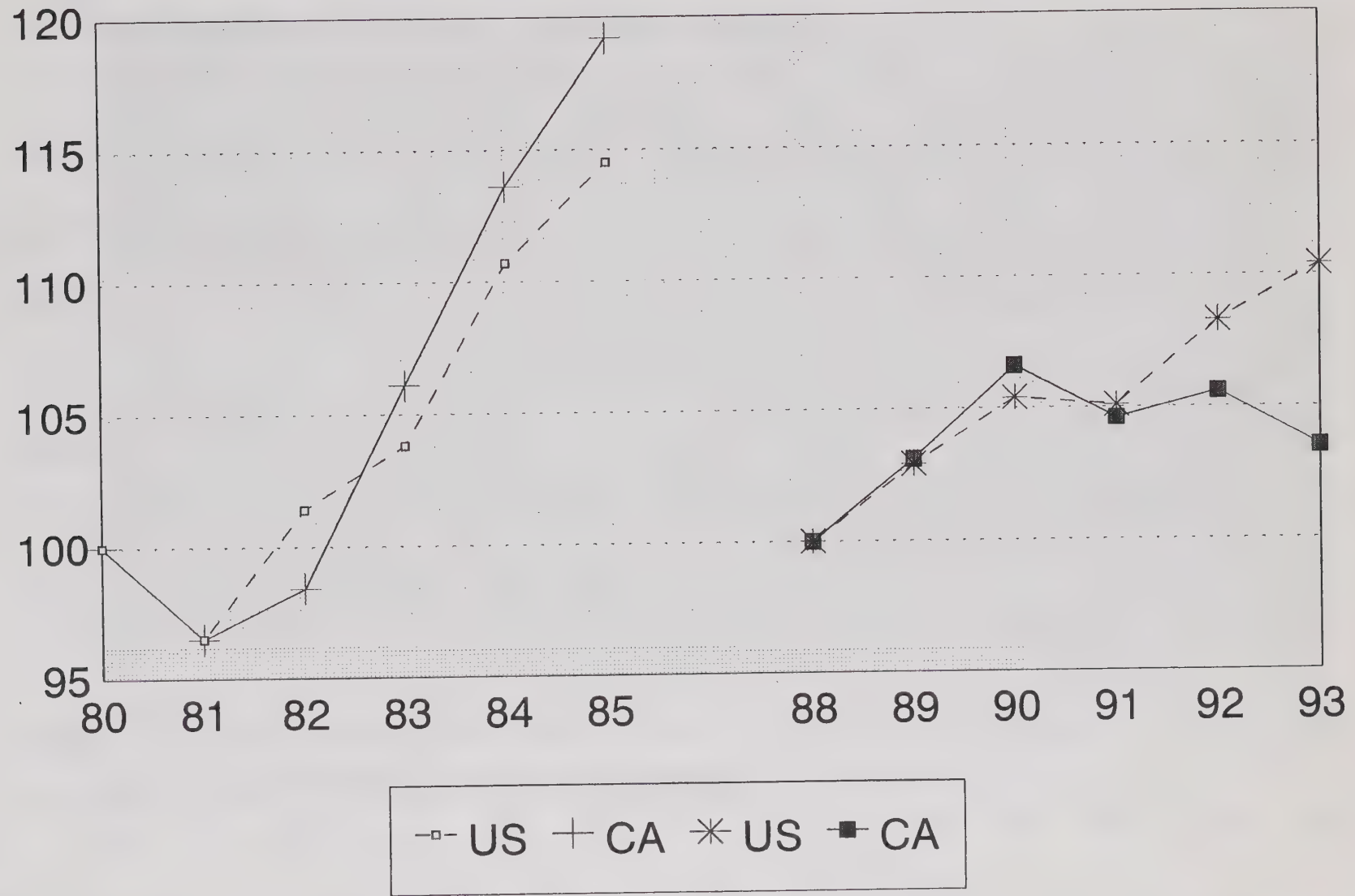
Industries Adding Jobs During Slowdown Vallejo-Napa MSA (Napa-Solano Counties)

<i>Gross Jobs Gained</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
<i>Health Services</i>	<i>1000</i>	<i>700</i>	<i>0</i>
<i>Manufacturing</i>	<i>0</i>	<i>1000</i>	<i>0</i>
<i>Construction</i>	<i>0</i>	<i>0</i>	<i>400</i>
<i>Transportation</i>	<i>0</i>	<i>0</i>	<i>300</i>
<i>Retail Trade</i>			<i>200</i>
<i>Business</i>			<i>300</i>

***An Overview of U.S.,
California and Bay Area
Income Recovery:
Weak Or Not Occurring***

Economic Recovery: US and CA Historical Comparison

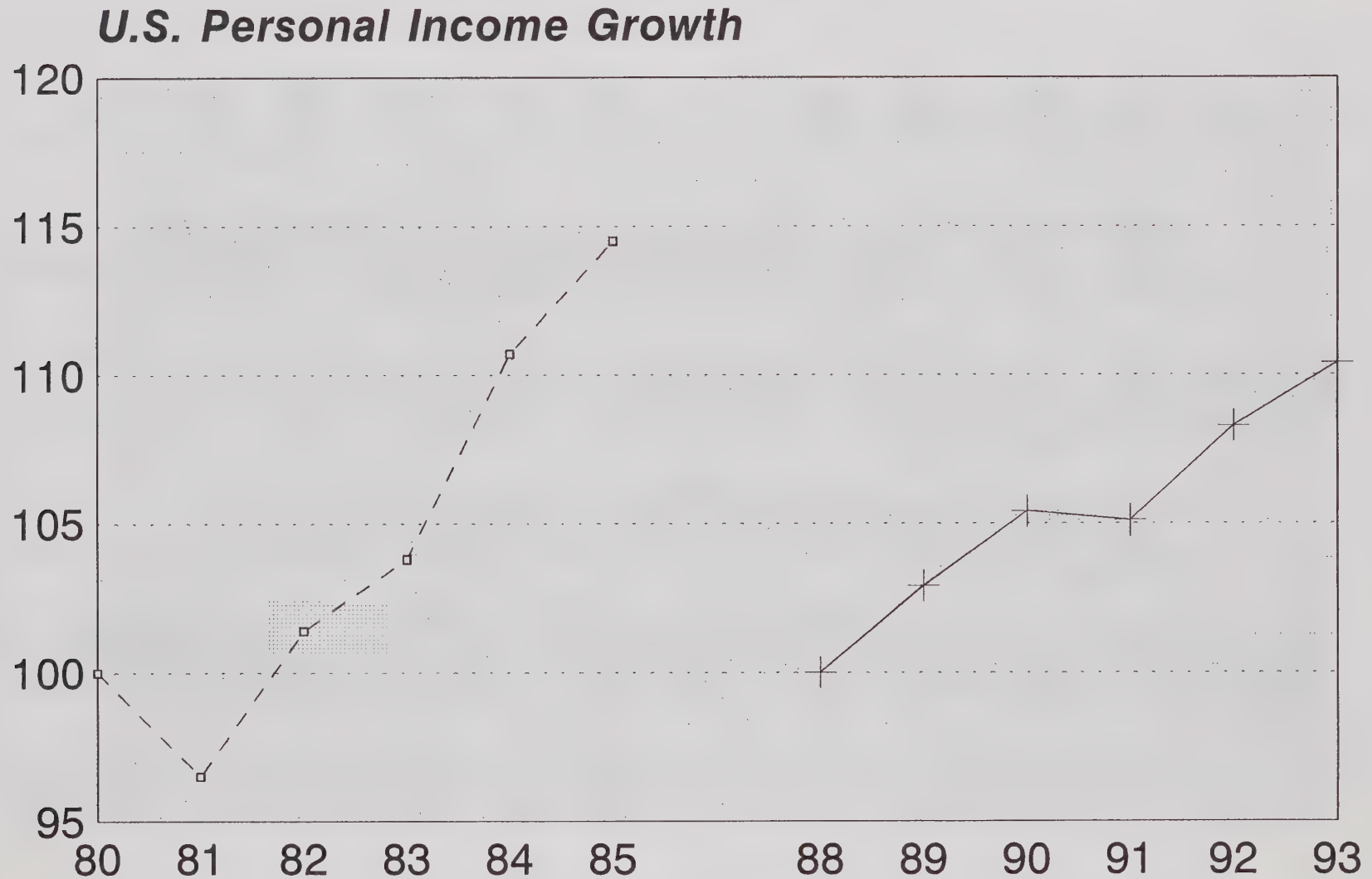
Measuring Comparative Growth in Personal Income



***Note: Index Measures Reflect 1980 Constant \$
Using Fixed-Weight GNP Deflators***

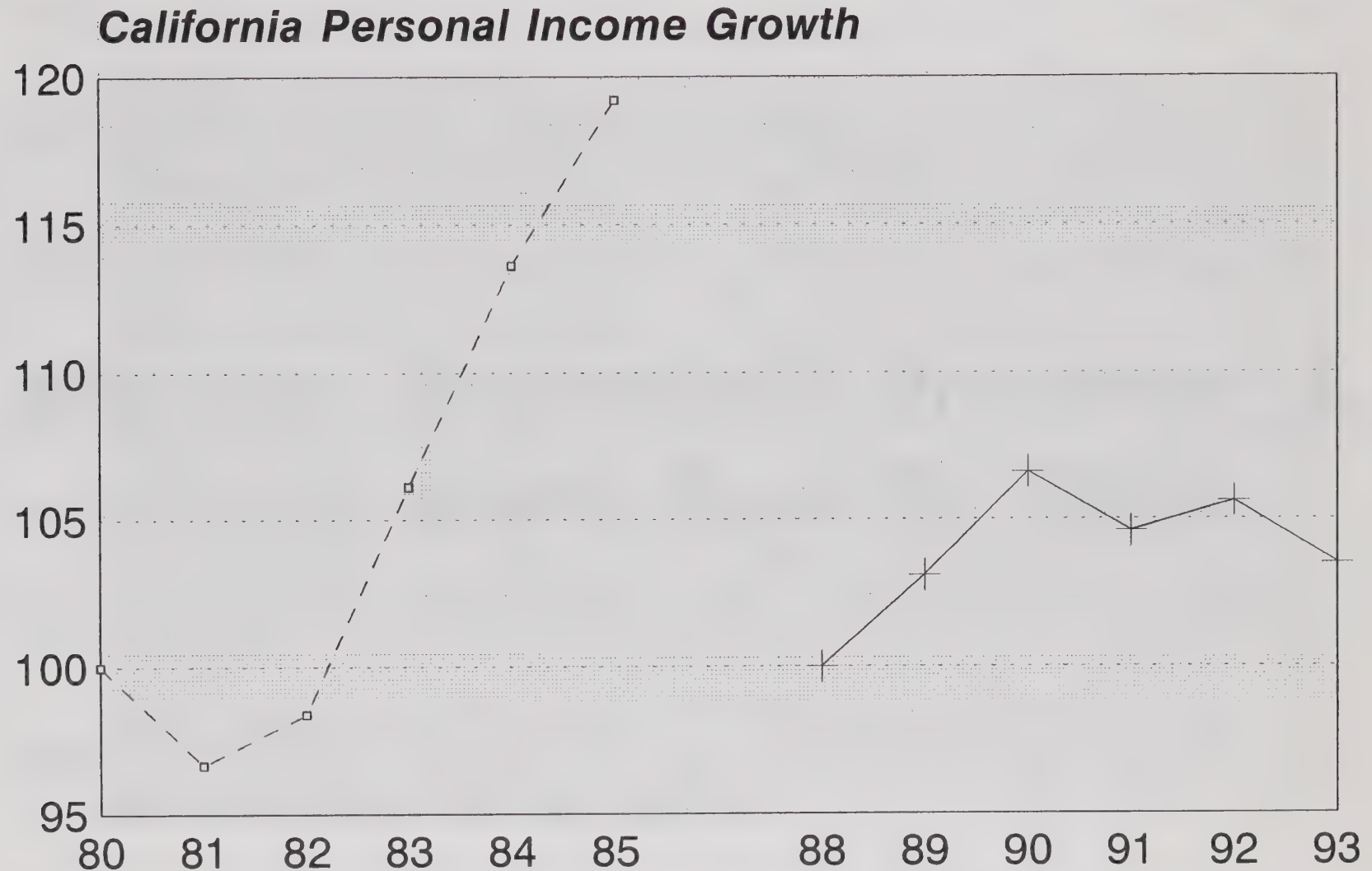
ABAG

Little Income Recovery By Historical Standards



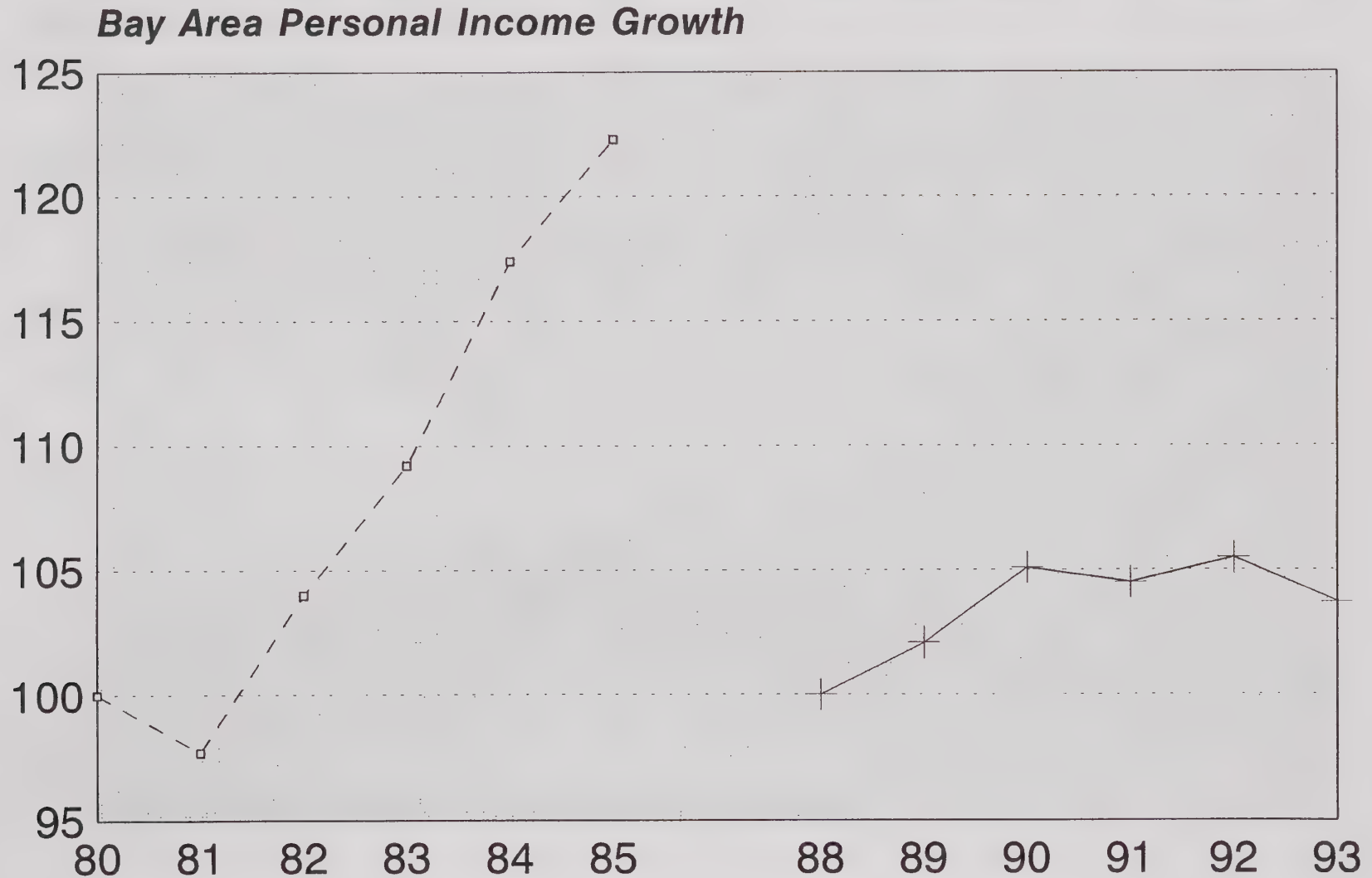
**Note: Index Measures Reflect 1980 Constant \$
Using Fixed-Weight GNP Deflators**

No Income Recovery By Historical Standards



**Note: Index Measure Reflects 1980 Constant \$
Using Fixed-Weight GNP Deflators**

No Income Recovery By Historical Standards



**Note: Index Measure Reflects 1980 Constant \$
Using Fixed-Weight GNP Deflators**

***Average Household Incomes: A
Long Road Back To 1990***

Bay Area Average Household Income 1990 Constant Dollars

County	1990	1993	Percentage Change
Alameda	\$48,994	\$45,400	-7.3%
Contra Costa	\$59,432	\$55,900	-5.9%
Marin	\$73,412	\$69,100	-5.9%
Napa	\$49,911	\$46,800	-6.0%
San Francisco	\$49,360	\$46,900	-5.0%
San Mateo	\$63,672	\$61,600	-3.3%
Santa Clara	\$62,440	\$58,400	-6.5%
Solano	\$46,868	\$44,300	-5.5%
Sonoma	\$47,970	\$46,600	-2.9%
Bay Area	\$56,000	\$52,800	-5.7%

**Source: 1990 data from U.S. Census;
1993 data is an ABAG estimate from DOF quarterly data.**

BAY AREA FORECAST

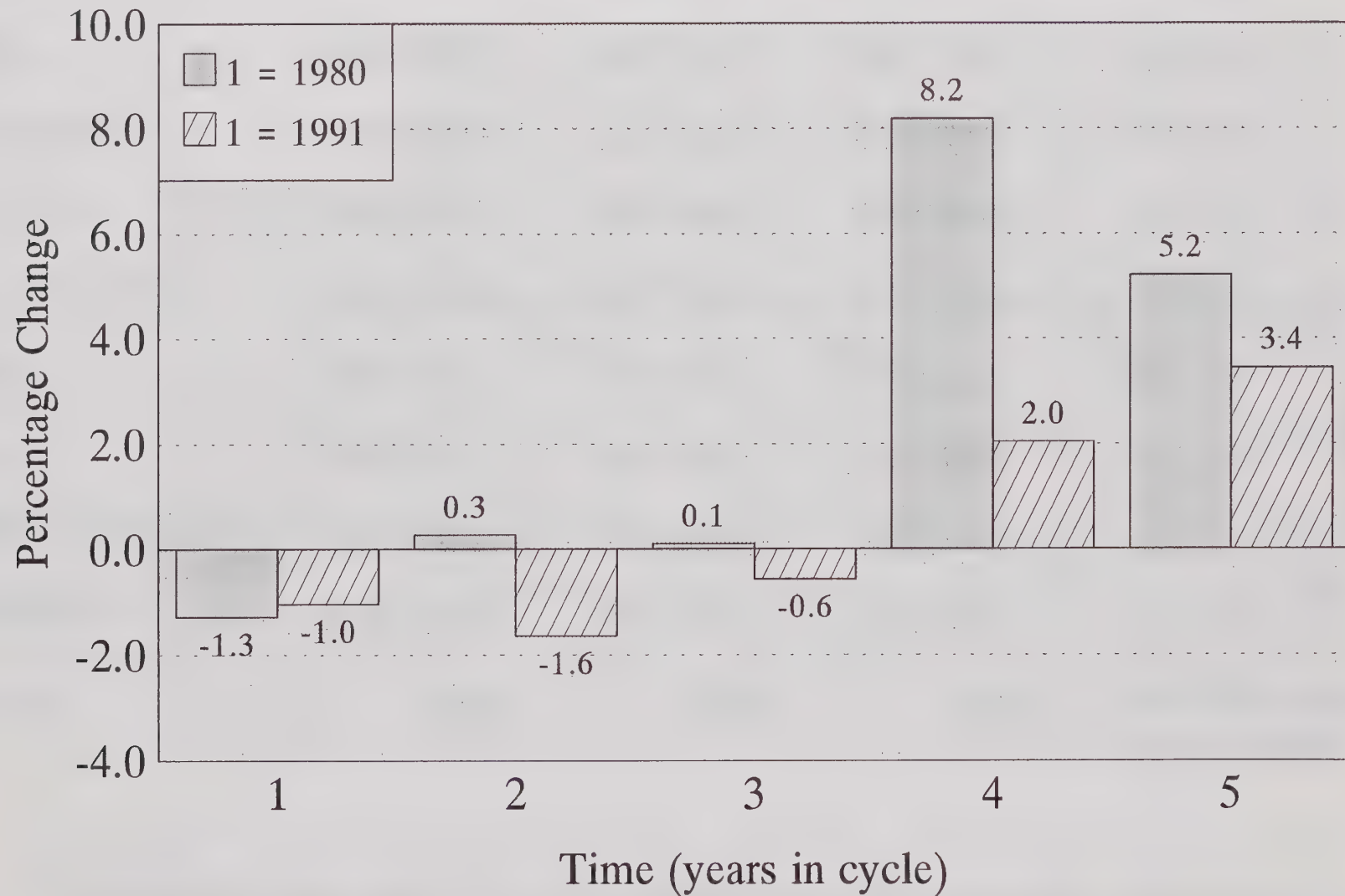
CPI, Wages Per Employee and Employment Forecast

	<i>Actual 1992</i>	<i>Estimate 1993</i>	<i>Forecast 1994</i>	<i>Forecast 1995</i>
<i>CPI</i>	<i>3.3 %</i>	<i>2.7 %</i>	<i>3.4 %</i>	<i>3.8 %</i>
<i>Wages Per Employee</i>	<i>3.2 %</i>	<i>0.8 %</i>	<i>4.1 %</i>	<i>3.8 %</i>
<i>Employment</i>	<i>-2.5 %</i>	<i>-1.1 %</i>	<i>0.1 %</i>	<i>1.5 %</i>

Forecast of Bay Area Average Household Income

County	1990	1994	1995	Percentage Change 94-95
Alameda	\$48,994	\$45,300	\$46,500	2.6 %
Contra Costa	\$59,432	\$56,700	\$58,100	2.5 %
Marin	\$73,412	\$70,200	\$72,800	3.7 %
Napa	\$49,911	\$46,600	\$47,100	1.1 %
San Francisco	\$49,360	\$46,900	\$48,100	2.6 %
San Mateo	\$63,672	\$61,600	\$62,900	2.1 %
Santa Clara	\$62,440	\$59,100	\$60,900	3.0 %
Solano	\$46,868	\$44,700	\$45,100	0.9 %
Sonoma	\$47,970	\$46,900	\$48,900	4.3 %
Bay Area	\$56,000	\$53,100	\$54,500	2.6 %

Comparing Post Recession Total Personal Income Recovery Bay Region, 1982 vs. 1993



Constant\$

CPI, Wages Per Employee and Employment Forecast

	<i>Actual 1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>
<i>CPI</i>	<i>3.3 %</i>	<i>2.7 %</i>	<i>3.4 %</i>	<i>3.8 %</i>
<i>Wages / Employee</i>	<i>3.2 %</i>	<i>0.8 %</i>	<i>4.1 %</i>	<i>3.8 %</i>
<i>Employment</i>	<i>-2.5 %</i>	<i>-1.1 %</i>	<i>0.1 %</i>	<i>1.5 %</i>

Job Forecast 1994

<i>County</i>	<i>Job Change</i>
<i>Alameda</i>	<i>-1000</i>
<i>Contra Costa</i>	<i>2000</i>
<i>Marin</i>	<i>500</i>
<i>Napa</i>	<i>500</i>
<i>San Francisco</i>	<i>0</i>
<i>San Mateo</i>	<i>1000</i>
<i>Santa Clara</i>	<i>900</i>
<i>Solano</i>	<i>-2000</i>
<i>Sonoma</i>	<i>1000</i>
<i>Region</i>	<i>2900</i>

CYCLE OF RECOVERY

- ✓ ***Contained Depression---1990-1993***
- ✓ ***Stagnation---1994***
- ✓ ***Recovery---1995-1996***
- ✓ ***Expansion---1997***

***Personal Income
and
Taxable Sales***

TOPICS

- ✓ Personal Income: When Will the Slide Stop?
- ✓ Surviving the Storm: Forecasts by Type of Business
- ✓ County-by-County Retail Sales Forecasts

Underlying Assumptions

- ✓ Oil prices to remain low through 1994
- ✓ National economy improving through 1994
- ✓ Interest rates remaining generally stable
- ✓ Corporate restructuring to continue
- ✓ Weak economies among major trading partners

Personal Income: Analysis and Forecasts

Factors Affecting Income Growth

- ✓ Employment Levels
- ✓ Real Wages
- ✓ Consumer Price Index (a.k.a. inflation)

Total Personal Income
Average Annual Percent Growth
1970-1990

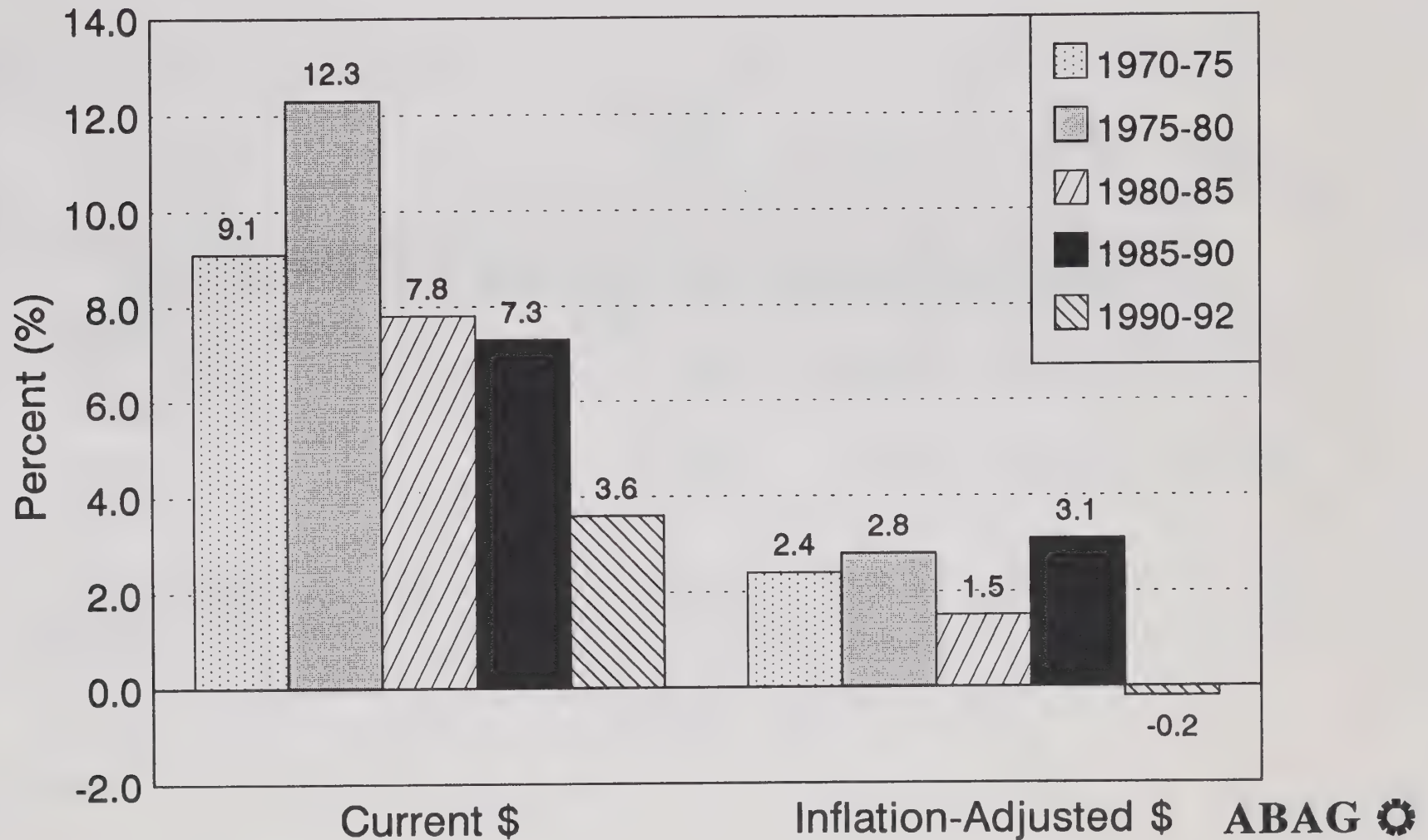
	Current\$	Inflation-Adjusted
Bay Region	9.0 %	2.5 %
California	9.8 %	3.1 %
USA	9.0 %	2.3 %

Total Personal Income
Percentage Change
1990-1992

	Current\$	Inflation-Adjusted
Bay Region	7.3 %	-0.4 %
California	6.0 %	-1.3 %
USA	10.1 %	2.4 %

Average Annual Percent Growth of Total Personal Income

San Francisco Bay Region: 1970 - 1992



Personal Income Forecasts

Total Personal Income Growth

San Francisco Bay Region, 1992-1995

	Actual 1992	1993	1994	1995
Percentage Growth in:				
Employment	-2.5%	-1.1%	0.1%	1.5%
Wages per Employee	3.2%	0.8%	4.1%	3.8%
CPI	3.3%	2.7%	3.4%	3.8%
Personal Income	3.9%	2.1%	5.5%	7.4%

Source: ABAG
Current\$

Comparison of Personal Income Growth 1992, 1993, 1994, 1995 (Current Dollars)

	Actual 1992	1993	1994	1995
¹ San Francisco Bay Region	3.9%	2.1%	5.5%	7.4%
² California	4.0%	1.0%	4.6%	5.1%
³ United States	5.5%	5.2%	5.6%	6.6%

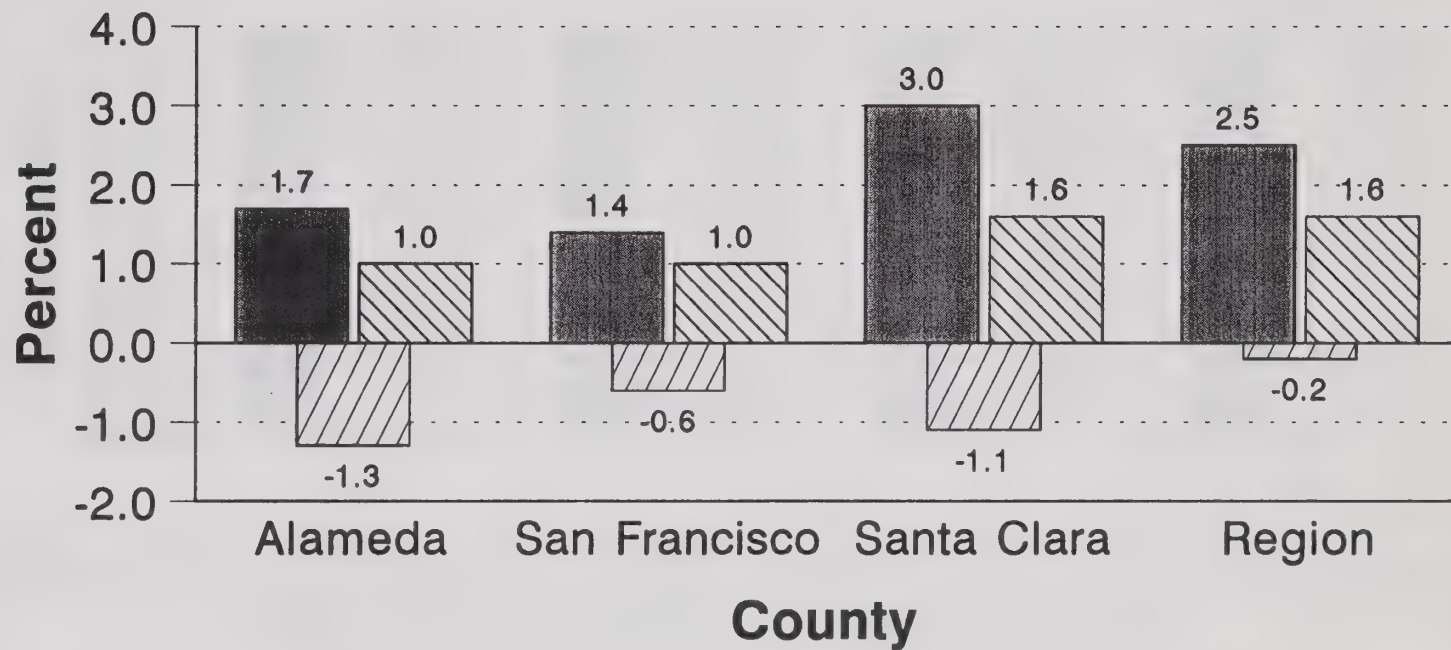
1 Source: ABAG

2 Source: Commission on State Finance

3 Source: U.S. Statistical Abstract

Total Personal Income by County

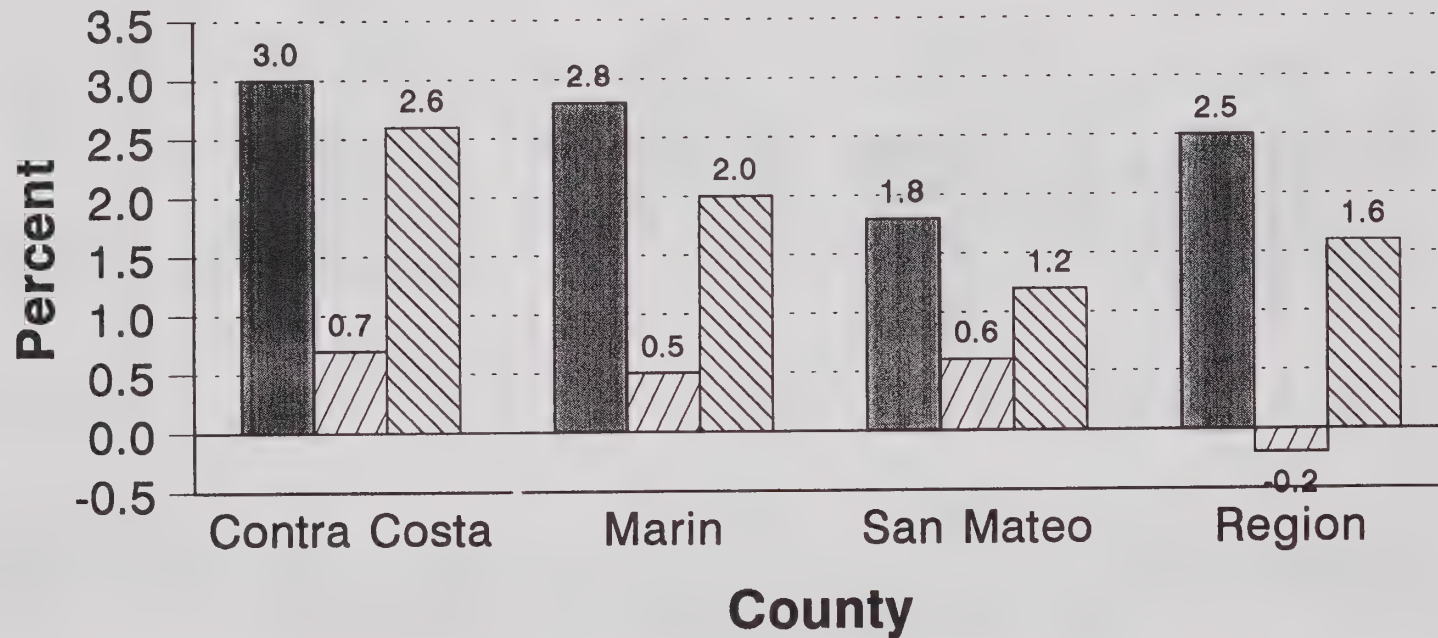
Average Annual Percent Growth



■ 1970-1990 ▨ 1990-1992 ▩ 1993-1995

Total Personal Income by County

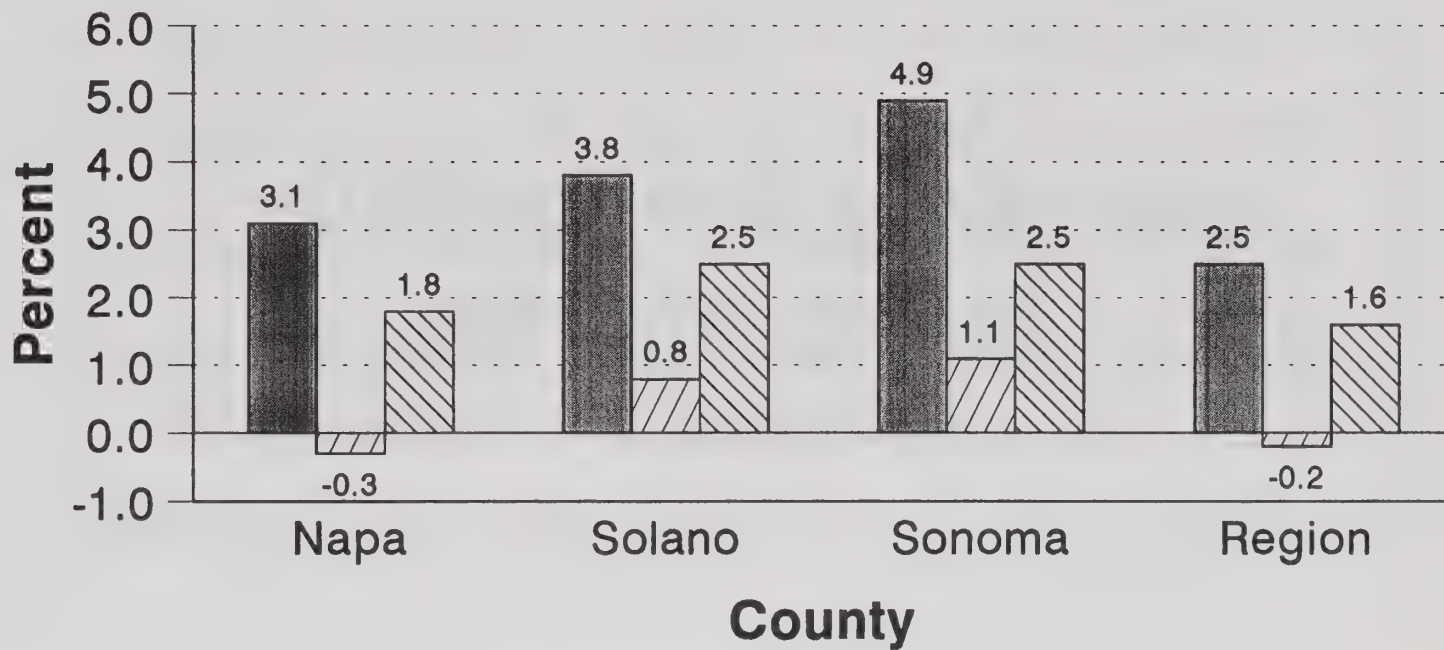
Average Annual Percent Growth



■ 1970-1990 ▨ 1990-1992 ▩ 1993-1995

Total Personal Income by County

Average Annual Percent Growth



■ 1970-1990 ▨ 1990-1992 ▩ 1993-1995

Taxable Sales: Analysis and Forecasts

Significance of Retail Sales

- ✓ Approximately 63 percent of Total Taxable Sales
- ✓ Total Taxable Sales about \$65.3 Billion in 1992
- ✓ Approximately 20 percent of General Revenues to Bay Region City Governments

Factors Affecting Retail Sales

- ✓ Income
- ✓ Interest Rates
- ✓ Consumer Optimism
- ✓ National Economic Trends
- ✓ Demographics

Total Taxable Sales Comparison

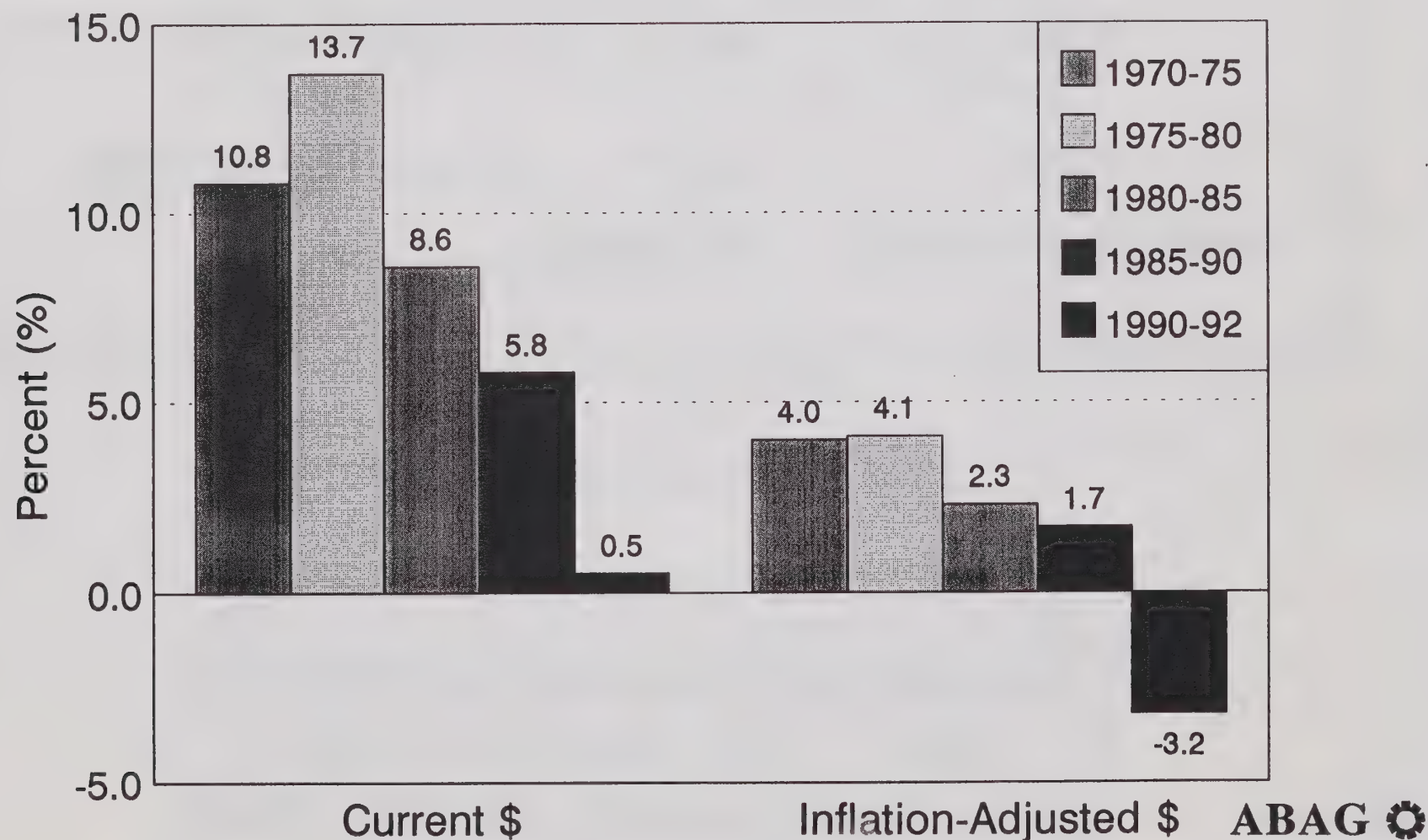
Percent Growth, 1991 - 1992

Bay Region, Los Angeles, California

	Current\$	Inflation-Adjusted
Bay Region	2.8%	-0.5%
Los Angeles Basin	-0.2%	-3.8%
California	0.6%	-2.4%

Average Annual Percent Growth of Total Taxable Sales

San Francisco Bay Region: 1970 - 1992



Taxable Sales Classification

Percent Growth

	1991	1992
Retail Stores	-5.1	-1.1
Nondurable Goods	-2.2	-0.2
Apparel	-1.8	-2.1
General Merchandise	-3.4	0.3
Specialty Stores	-2.9	-2.8
Food Stores	7.9	3.6
Restaurants/Bars	-2.0	-1.7
Service Stations	-8.7	3.8
Durable Goods	-11.7	-3.4
Home Furnishings	-7.7	-3.2
Building Materials	-11.1	-4.3
Automobile Dealerships	-13.3	-2.9
Business/Personal Services	-5.7	-3.9
All Other Outlets	-7.1	1.2

Taxable Sales Classification

Retail Stores

Nondurable

- Apparel (Women's apparel, Men's apparel, Family apparel, Shoes)
- General Merchandise (Limited-price variety, Department, Drug stores, Other)
- Specialty (Gifts and novelties, Sporting goods, Florists, Musical instruments, Stationery, Jewelry, Office and store supplies, Candy and tobacco, Other specialties)
- Food (Food stores selling all liquors, Other food stores, Packaged liquor stores)
- Eating and Drinking (Eating places, Drinking places)
- Service Stations

Durable

- Home Furnishings (Household and home furnishings, Household appliance dealers)
- Building Materials (Lumber and building materials, Hardware stores, Plumbing and electrical supplies, Paint, Glass and wallpaper)
- Auto Dealers (New and used motor vehicle dealers, Automotive supplies, Trailer, boat, cycle and plane dealers)

Business and Personal Services

(Hotels and motels, Automotive repair, Repair and hand trade, Clubs, Shoe repair, Morticians, Personal services shops and amusements)

All Other Outlets

(Nonstore retailers, Temporary and part-time permittees, Occasional sales of autos/boats, Cigarette vendors, Public utilities, Manufacturing/ Wholesale outlets)

Taxable Sales Forecasts

Comparison of Last Year's Forecast: 1992

*Percent Growth in Taxable Sales
San Francisco Bay Region*

	Forecast	Actual
Retail	1.5	2.17
Durables	0.0	-0.16
Nondurables	2.1	3.13

Current \$

Total Taxable Sales
San Francisco Bay Region
1992, 1993, 1994, 1995

	Total Dollars (billions)	Annual Growth (current dollars)	Annual Growth (inflation-adjusted)
1992	65.3	2.8%	-0.5%
1993	67.8	3.9%	1.2%
1994	72.0	6.2%	2.7%
1995	78.1	8.4%	4.0%

Source: State Board of Equalization, ABAG

Total Taxable Sales Growth
San Francisco Bay Region
Percentage Growth, Current\$

	Actual 1992	1993	1994	1995
Total Sales	2.8	3.9	6.2	8.4
Retail Sales	2.2	3.5	5.9	8.1
Durable Goods	-0.2	2.8	6.2	9.0
Nondurable Goods	3.1	3.7	5.8	7.8
Business/Personal Services	-0.7	3.8	5.8	6.8
All Other Outlets	4.5	4.6	6.9	8.9
Inflation	3.3	2.7	3.4	3.8

Nondurable Retail Sales Growth
San Francisco Bay Region
Percentage Growth, Current\$

	Actual 1992	1993	1994	1995
Nondurable Goods	3.1	3.7	5.8	7.8
Apparel	1.2	4.4	6.2	7.7
General Merchandise	3.6	3.5	5.4	7.0
Specialty Stores	0.5	5.1	6.9	8.9
Food Stores	7.0	1.1	6.0	7.9
Restaurants/Bars	1.6	3.3	5.8	7.7
Service Stations	7.3	4.9	4.3	7.2
Inflation	3.3	2.7	3.4	3.8

Durable Retail Sales Growth
San Francisco Bay Region
Percentage Growth, Current\$

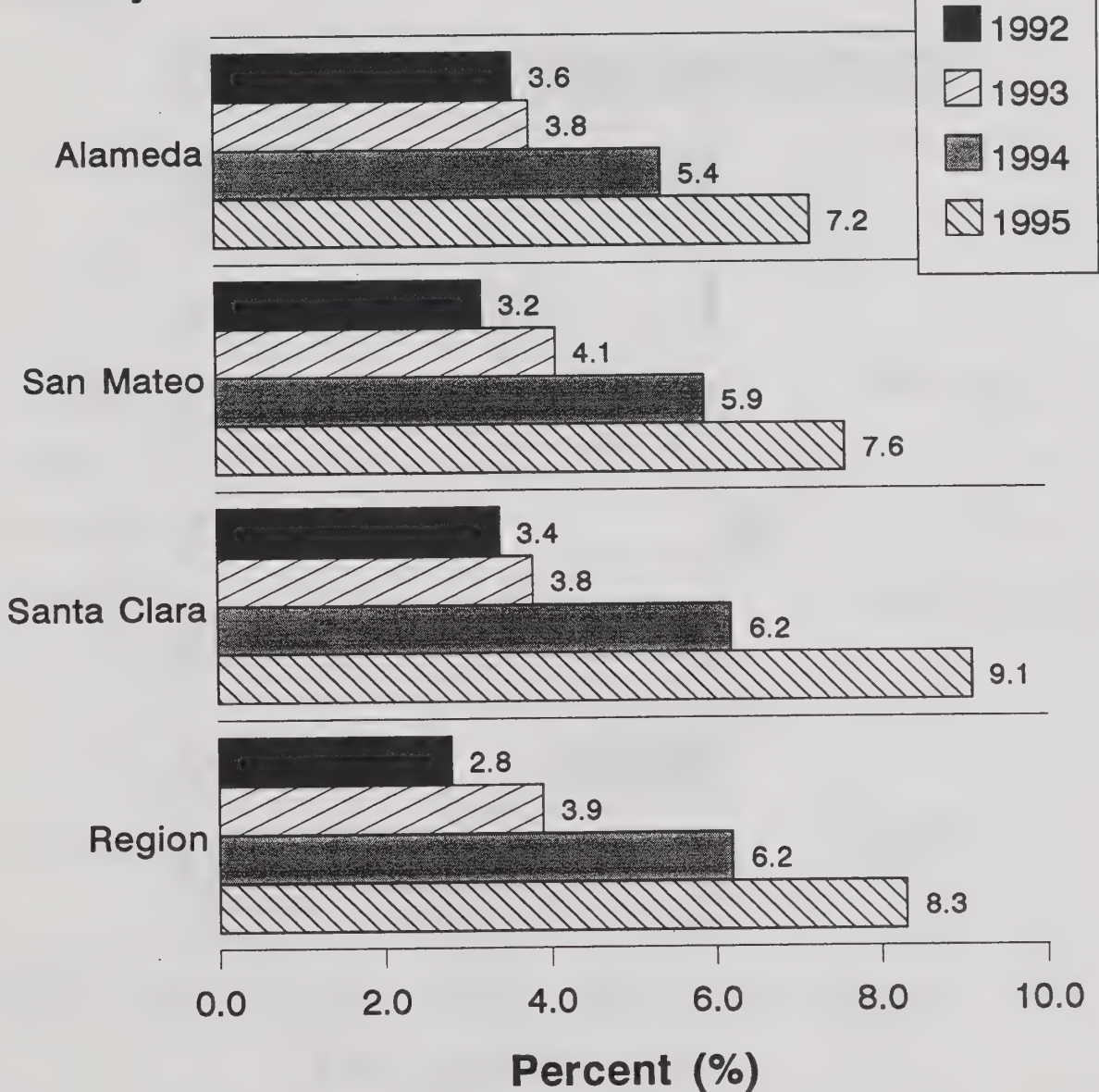
	Actual 1992	1993	1994	1995
Durable Goods	-0.2	2.8	6.2	9.0
Home Furnishings	0.0	3.5	6.3	8.6
Building Materials	-1.1	1.2	5.4	9.7
Auto Dealers	0.3	3.5	6.5	8.8
Inflation	3.3	2.7	3.4	3.8

Taxable Sales Forecasts by County

Alameda, San Mateo, Santa Clara

Percentage Growth, Current\$

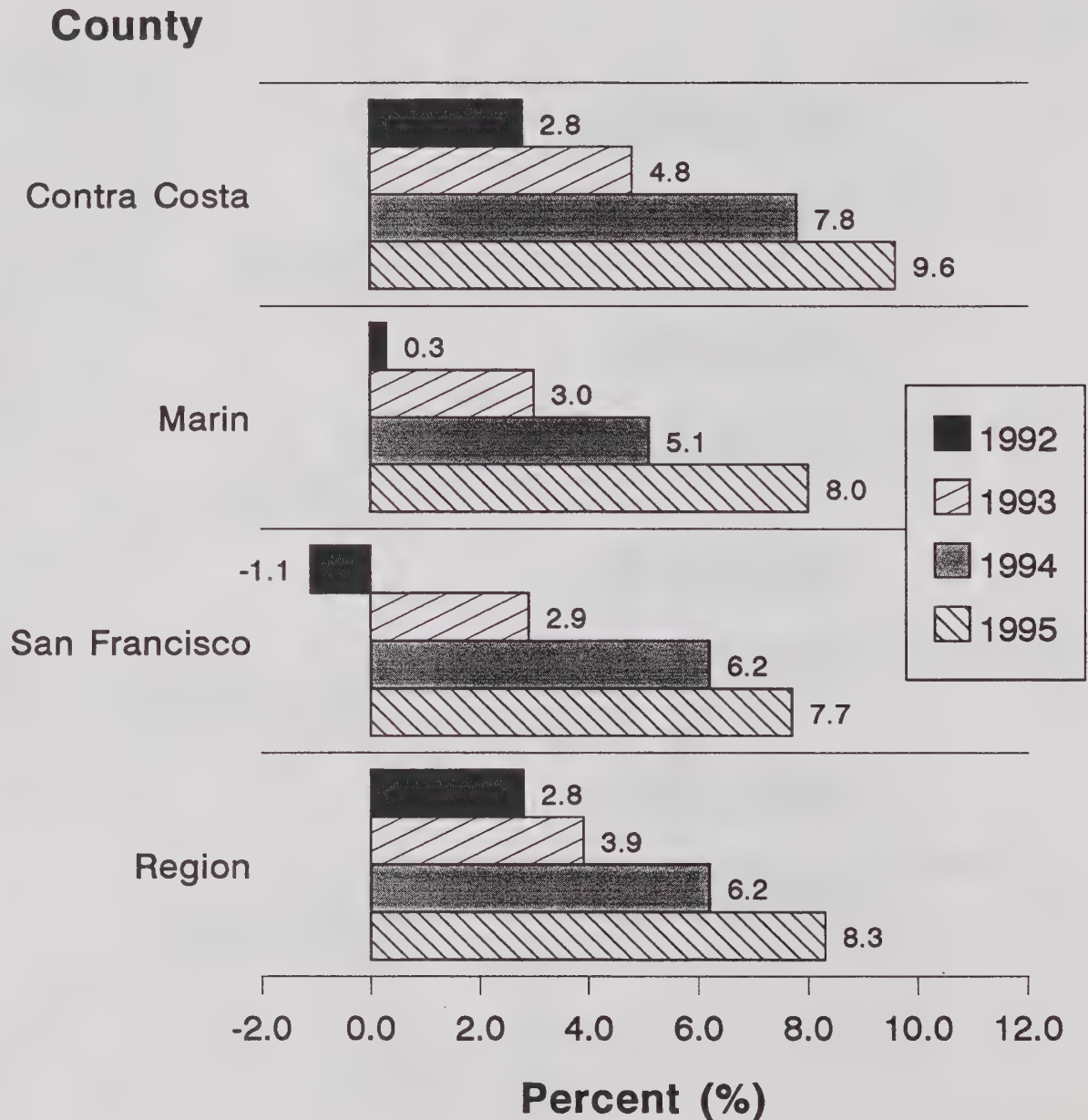
County



Taxable Sales Forecasts by County

Contra Costa, Marin, San Francisco

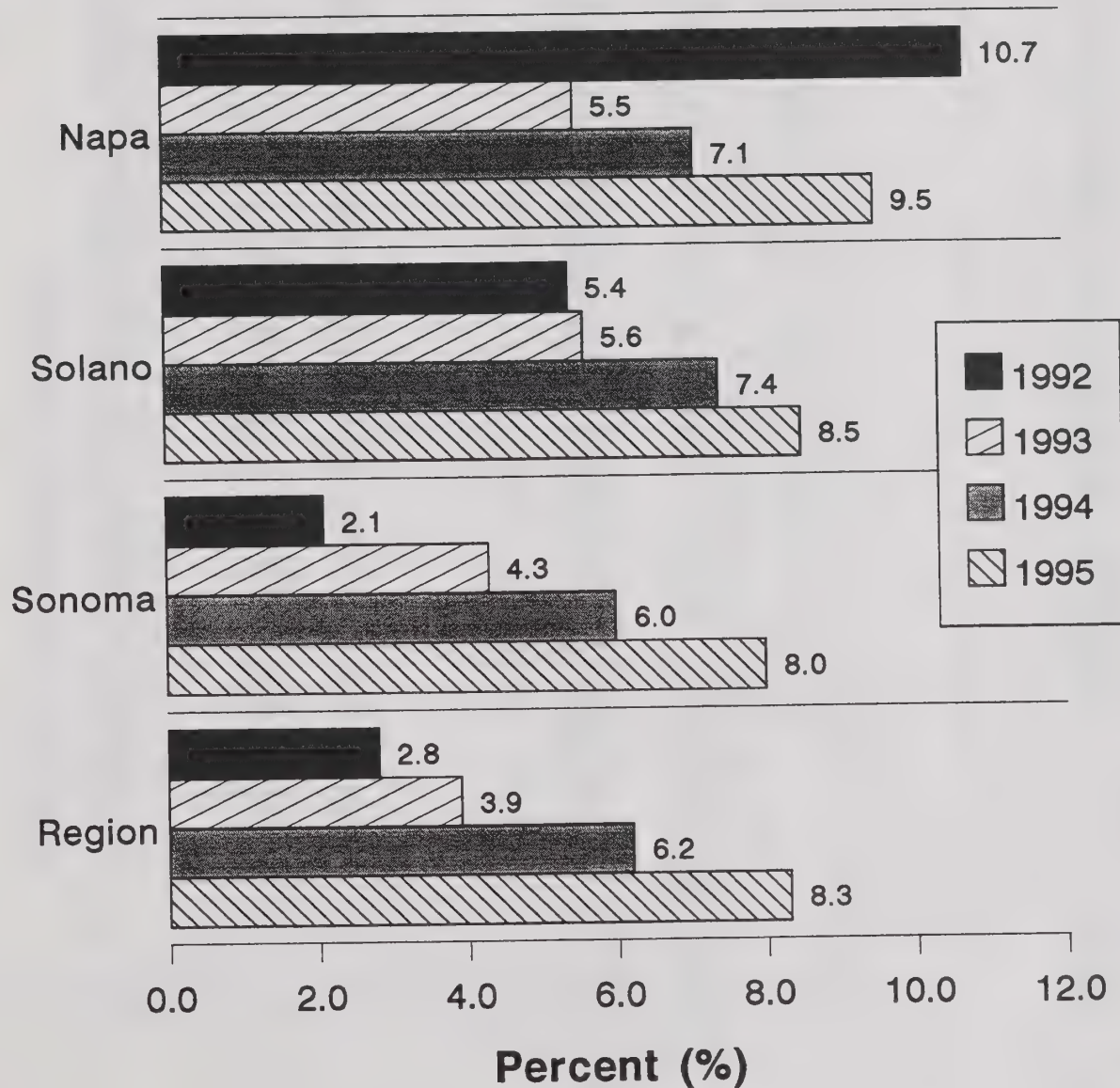
Percentage Growth, Current\$



Taxable Sales Forecasts by County

Napa, Solano, Sonoma
Percentage Growth, Current\$

County



Summary of Personal Income and Taxable Sales

- ✓ PI growth expected in 1994
- ✓ Bay Region will outperform State in PI growth through 1995
- ✓ Taxable Sales to improve 2.7% in 1994, 4.0% in 1995 (constant\$)
- ✓ Durable Goods expected to strengthen during forecast period

Long-Term Issue

***Structural Changes in California, the U.S.
and World Economies Means Slow
Economic Growth***

***Can We do What is Necessary to Re-Build
California?***

1994 ECONOMY: HELP WANTED!!!

Walter E. Hoadley
Senior Research Fellow
Hoover Institution

Here we go again, for the 25th consecutive January kickoff program!!!

I have always considered annual invitations by The Commonwealth Club to be a real honor and privilege. This silver anniversary is very special. I could address no finer audience -- here in the Grand Ballroom as well as throughout most of the nation via radio. Your continued interest reflects remarkable perseverance and patience for this speaker. Thank you.

A year ago we offered the prospect of a "Rolling Recovery Ahead." Subsequent events have confirmed the rolling ups and downs of the economy. Most important, there has been some measurable recovery across much of the nation. However, California, as most analysts expected, has lagged the country, with recovery still fairly illusive.

If the general tone and direction of last year's forecast turned out to be more or less on target, how did we do on the specific "Hoadley Hot Line" numbers? They were: "2-1/2; 3-1/2; 7; and 1."

"Two and one half" per cent real growth promises to be very close to the actual final number when it becomes available. 1993 started out very slowly but picked up momentum from pent-up consumer buying plus exports during the second half of the year.

Once again, inflation has proved to be less than expected. A little less than "Three" would have been more accurate than my "Three and one half".

"Seven" per cent unemployment looks about right for the 1993 yearly average. At the end of the year the rate dropped close to "Six and one half" per cent. I understand that the unemployment data will soon be revised, likely upward, to reflect more accurately adult women, multi-job holders, and discouraged workers.

My forecast was that yearly interest rate change would stay within "One" per cent. The expectation was that rates would bottom out and begin to rise. This has been the general pattern. However, short rates now stand very close to the same level as when we last met. In contrast, lessened inflationary expectations have dropped long term rates close to "One" per cent compared with the level a year ago.

The "Hoadley Hot Line numbers" indicated that 1993 would end up better than it began, as it fortunately did.

With this history behind us, let's turn our attention to 1994.

Today's discussion has been entitled: "1994 Economy: Help Wanted!!!"

This "Help Wanted" theme has at least two distinct meanings: (1) a job opening to be filled and (2) an emergency call for assistance. Both are relevant to our comments today. Unemployment is chronically high in most communities. So, there is an urgent need for more employers to hang out "help wanted" signs or advertise the same message. Simultaneously, the economy requires a substantial amount of help from all sides.

Always in anticipation of this meeting, I pay close attention to questions which come up repeatedly in conversation with colleagues, friends, and others here and abroad. Among many current concerns, four stand out. Let me state them and give some brief preliminary answers. In this way, following a twenty five year tradition, you will have my conclusions at the outset, and know where I am headed if you are distracted.

Question 1): Will 1994 really be a better year? My answer: "yes" overall, slightly better for many; the rolling recovery will continue with "Hoadley Hot-Line numbers "3 (growth); 3 (inflation); 6 1/2 (unemployment) and 1/2 (interest rate change range)".

Question 2): Why must we spend so much time and money on foreign people's problems when we have so many needs at home? My answer: we have little choice. Our future depends more and more on international trends and prospects; the distinction between domestic and foreign is steadily disappearing; relying only on domestic thinking and policies will be increasingly short sighted.

Question 3): Can there be any solid basis for optimism as we confront the formidable social, economic, and political problems before us now and on the horizon? My answer: Yes. The strength of America lies in its repeatedly demonstrated flexibility and adaptability to meet challenges, especially when they reach a point of crisis; our nation must soon find a new "Vision For Destiny" -- out of opportunity or fear -- around which to focus public attention, determination, enthusiasm, and action.

Question 4): How can I help myself and my family get through these difficult times? My answer: Expect change; try to live with, guide, and benefit from relentless, constructive change, rather than grow bitter fighting it; do what thousands of Americans are now doing -- take a fresh look at life and the community around us -- get to know the individuals in our neighborhoods better, join with others, and develop programs which promise to help resolve concerns; our living standards will be on the line over the next five to ten years; America needs much more concerted help from its citizens; and in so doing, each one of us will help ourselves.

1994 Will Be A Slightly Better Year

By the first week of January literally hundreds of economic forecasts for the coming year have been made and distributed . There is little new information to offer.

In summary, confidence has risen noticeably in recent weeks as many well recognized economic barometers have become more positive. The nation has been starved so long for good economic news that it is comforting to hear it.

The evidence is compelling that the United States economy has hit bottom and is well on the recovery road, although much less than after earlier recessions. Many underlying strengths are reasserting themselves, e.g., accumulated backlogs of demand; existing wealth and spending power; productivity, improved cash flows and balance sheets; record securities markets; strong exports; rising outlays for homes and capital expenditures; and much more.

Nevertheless, some caution is in order. We shouldn't count too heavily on a quick return to a totally vigorous economy.

Emphasis has been given in previous presentations to two sets of broad economic waves passing through the economy: (1) short term cyclical swings emanating from the boom years of the 1980's, and (2) more permanent structural corrections and downsizing deemed essential to increase competitiveness and profitability.

The current recovery reflects mainly cyclical improvements in sectors which respond favorably to low interest rates, e.g., housing, automobiles, appliances, furniture, and similar consumer oriented goods and related services. Such sectors comprise about 35-40 per cent of the economy; much of the remaining sectors will continue to lag.

Simultaneous structural corrections also are having an uneven and still depressing influence on the economy. This process sometimes is called America's once in about every thirty years "economic house cleaning." At least half of American industry and related organizations have completed downsizing; the worst is over.

The negative impact of the Clinton tax increase, especially during the first half of 1994, has been widely debated. Various estimates place the added revenue about 20-25 billion dollars. Compared with a more than six trillion dollar economy annually, the tax bite seems small indeed. But, the economic drain is concentrated on upper bracket investment decision people who can have a disproportionate effect. There is considerable uncertainty among taxpayers as to the specific payments to be made, including retroactive amounts due for 1993. I expect the first half economic performance to be reduced from the reportedly strong fourth quarter of the year just closed which contained several unsustainable elements.

President Clinton's domestic economic policies to date do not seem to have contributed directly or substantially to recovery. From a technical economic point of view, such policies, if anything, have dampened the economy.

The key Clinton economic goals and programs include: (1) budget deficit reduction (highly desirable for many reasons but non-stimulative); (2) health reform (controversial, costly and the source of considerable uncertainty); (3) investment, including human development (also well intentioned but costly and slow to materialize); (4) trade expansion through opening foreign markets (controversial globally as inherently protectionist and difficult to get positive results during world-wide recession); and (5) high technology (commendable but involves building an illusive public-private partnership). Progress on these policy fronts thus far has been limited, but the Clinton Administration has only been in office one year.

The President has established himself as a world leader through his successes with the North American Free Trade Agreement, the General Agreement on Tariffs and Trade, and other policy accords. Weak political leadership in most major nations almost by default has given Bill Clinton many opportunities to initiate international policies and employ his persuasive personal style in global negotiations. The net economic results of the Clinton foreign policies are hard to calculate, but seem positive.

The world economy is struggling with slow growth and numerous pockets of recession. Real economic growth, currently at two per cent or less, is below the minimum three per cent growth necessary to stimulate global trade. Only Asia is achieving above average growth, but conditions in several industrial countries now look more promising.

Sub-par international economic conditions obviously have a cumulatively depressing effect upon internal growth within most countries, including the United States.

These prevailing waves and trends underlie my selection of "Hoadley Hot Line" numbers for 1994:

Real growth: three per cent, reflects modest improvement; but, low interest rates will be less stimulative, exports more constrained, government spending held in check and tax increases deterring some investments and consumer purchases.

Inflation: three per cent, will remain subdued because of excess capacity, intense competition, higher productivity, and only limited increases in consumer purchasing power. The current surplus of petroleum and weakened prices cannot be expected to persist, so some rise from this source is to be expected in 1994.

Unemployment: 6 1/2 per cent (as currently measured), will remain a political and economic challenge. Downsizing layoffs will continue to make daily headlines at a diminishing scale. Smaller increases in the labor force, because of fewer births a generation ago, will help keep the unemployment rate from rising sharply. Some employers will reach the limit of using overtime and step up new hiring.

Interest rates: plus or minus 1/2 per cent, are expected to change relatively little. Recovery usually is accompanied by higher interest rates, but this time increases should remain modest so long as inflation does not advance significantly. The monetary authorities seem poised to tighten credit conditions whenever prices and wages begin to move upward. We cannot overlook the vulnerability of the economy, financial markets, and the federal budget deficit to any marked upsurge in interest rates.

All in all, 1994 looms as a slightly better year, but far from calm. 1994, an important Congressional election year, will witness some political action designed to help incumbents. President Clinton will get his first major report card from the voters. Slow growth will offer ready opportunities for critics. After the polls are closed and the political rhetoric subsides, the underlying positive trend in the economy will become clearer.

Why So Much U. S. Concern About Foreign Problems?

This question is very persistent, reflecting voter worry about many formidable problems here in the United States. Available fiscal resources to deal with them are known to be limited. Moreover, there is considerable doubt that U. S. assistance really reaches the intended needy people.

My answer is that we really have no choice. Trying to live comfortably behind a wall of isolation really can't work in today's globalized world. The international community cannot be expected to favor Americans unless we continue to earn foreign respect beyond our own narrow interests and reflective of our economic power. At the heart of the issue lies U. S. leadership. This includes military strength to protect ourselves and our allies, as well as demonstrated ability and willingness to undertake global initiatives which enhance general well-being.

Traditional national political boundaries are steadily losing importance. Globalization is rapidly accelerating, particularly as communication technology (e.g., video, CNN, teleconferencing, voice mail, FAX, airphones and a wide variety of related techniques) is bringing the peoples and economies of the world much closer. Familiarity with foreign markets is increasingly common. The world certainly knows much more now about what is going on in the United States -- good or bad -- than only a few years ago, and vice versa.

More and more American business executives now think of global continents as they formerly considered U.S. states, regions, or some communities. In turn more consumers think or care less about where a product is made. Many have difficulty determining origin because parts are assembled from many international localities.

The concept of "One World" surfaced prematurely in the 1930's and is still far off, but many economic and political trends reflect this direction. Meanwhile, major blocs of nations are forming. Not only are economic forces at work, but also cultures, religions, ethnic groups, and other significant linkages are consolidating peoples and power.

We can't forget that the U.S. 250 million population comprises less than five per cent of the world total of 5.5 billion. Disparity between the rich and poor people is becoming more apparent.

Most Americans are generous and compassionate, but are wary of long term foreign assistance programs. Accordingly, it is a tough sell to convince skeptics that it is in the U. S. interest to provide resources abroad to help others live better. In part, "zero sum" (i.e., if one nation wins, another must lose) thinking prevails. Overlooked is the synergism which occurs whenever markets are open and profitable exchanges occur regularly.

Probably the best reason for the U. S. to play a leadership-helping role in the world, assisting others, is to contemplate the consequences for our nation and ourselves of refusing to do so. Political agreements in our interest would become much more difficult to arrange; a likely "paper tiger" image no doubt would tempt others to test our nation on many fronts; business would be constrained by more and more protectionism and retaliation; personal travel would be restricted, and probably increasingly dangerous. Absence of U.S. leadership would create more political instability around the world and almost certainly increase global migration, including more border crossings into the United States.

Considerable research reveals that American opinion on critical foreign and domestic issues can and does alter over time as people become better informed (1) about the adverse consequences for them of continuing faulty policies and programs, and (2) as to their options for remedies and the likely impact on them of the results.

In my judgment, the time is here to take the dynamic, positive international opportunity story directly and forcefully to the people across our nation. Every community should study its two-way impact of foreign trade and investment on local jobs and income. Only this way will voters be able to grasp the current importance and potential of foreign participation in the community economy. Nationally and in many localities, at least one job in five results from offshore policies and decisions. We Americans must learn better how to build on foreign strengths. Wishing away international challenges will not make them go away. They are here to stay.

Any Basis For Optimism As We Look Ahead??

Tough problems always seem to outnumber new, exciting positive breakthroughs. Therefore, it is almost inevitable that pessimists outnumber optimists. Few people I know will now admit to being optimists. Yet, the prevailing degree of optimism typically determines whether problems are seen to be manageable -- i.e., accepted as a challenge -- or doomsday -- i.e., can't be solved in my time. There is a great need for more confidence and optimism.

Short term confidence is rising at the moment, but most Americans are reported to see the longer road ahead strewn with disasters, e.g., ozone depletion, nuclear melt downs, AIDS epidemics, out of control crime, and many more. Young people across the nation are being warned not to expect opportunities like their forebears had. Obviously, the opportunities can't be the same; But, if only a fraction materializes of what my scientist friends tell me is in research, a very different and better world lies in the offing. Different and exciting opportunities lie ahead for those who are prepared to adjust and pursue them.

Think of a world in which most individuals through cellular devices will be able directly to communicate with each other; or have eye or hearing replacements, crash proof traffic controls, or dust free homes, etc., etc. In my lifetime, I've watched dreaded diseases (e.g., polio, meningitis, leprosy), virtually disappear. I've enjoyed innovations (i.e., air conditioning, refrigerators, TV, answering machines, and much more) which my parents and grandparents never dreamed. I've witnessed the fall of mighty public and private institutions and companies and been impressed as unknown organizations have risen up to replace them. We are living in a dynamic world in which little stands still for long, but we know that insightful leaders can help foresee, guide, and cushion many changes.

There is one emerging acute economic problem which overshadows others and demands urgent national and global attention: unemployment. Can our system provide work opportunities and rewards in sufficient quantity to meet the needs of an expanding labor force? Idle people and peace are not compatible. The number of jobless among the Western industrial nations is now more than 30 million and rising. This level is well above 10 per cent which often has been held to be the peril point for social unrest. Worldwide unemployment roughly defined and estimated, is probably at high as 30 per cent or more and worsening.

Few leaders in our Western democratic capitalistic society, whose ideals are sweeping much of the world, seem to appreciate the basic conflict between all-out pursuit of the "bottom line" and increasing joblessness. Current financial goals and principles, reinforced by the insistent demands of shareholders and financial analysts, seem to be making reduction of employment almost an end in itself. The greater the application of high technology and the higher the drive for productivity, the smaller the need for workers. Many companies now have more computers than people. Here is a potentially explosive situation as more and more humans feel that they are being treated as just another commodity, e.g., a bushel of grain or barrel of oil.

Economic survival, of course, must be the first responsibility and priority of business executives. Stock performance obviously is an important measure of success. But questions are now being raised when downsizing layoffs continue after profits have returned to record or near record levels. Experienced, loyal, and competent employees are being widely terminated, often to be replaced by less costly and less trained personnel. Whatever the meritorious reasons, the business-financial-investment community at large must soon be prepared to give the public a more satisfying explanation for massive layoffs than "competition dictates" or "financial ratios are below what analysts expect."

The record should show that many, perhaps most, downsizing companies have provided short term severance pay and benefit packages. But, finding new jobs, almost inevitably at lower pay, is now a long and exhausting experience for even the most skilled and experienced. To date, it is a tribute to the adaptability of American workers and public confidence in the fundamental ability of our system to provide jobs that there has been only mild expressions of concern that some new broad based approach to joblessness may be needed.

Past unemployment in the United States for the most part was temporary until the economy improved. Then most workers could expect to be recalled back to their old jobs. Not so this time. Commonly both the worker and the job have lost out permanently.

To compound the United States unemployment challenge is a "third economic wave" (in addition to cyclical and competitive restructuring). Beginning to work its way through the Western industrial nations is a new powerful combination of high technology and low-cost labor in many developing countries.

Until recently, high technology has been concentrated in the leading industrial nations. However, globalization, instant communications, and intellectual property leakage have made much, if not most, high technology quickly available to many aspiring developing countries. This trend can only be expected to accelerate.

At issue now is a marked shift in the basic foundation of the Western industrial world economies which have been built for decades on a fairly exclusive combination of high technology, high productivity, high wages, and high social benefit entitlements. This economic combination is eroding. Unemployment is becoming more permanent in every Western industrial nation, and longstanding, politically well entrenched social benefits are starting to be cut back on fiscal as well as personal responsibility grounds.

Only productive employment generates income, wealth, and tax revenues. The task ahead is to create more such jobs, or else living standards must decline across the Western world.

Reason for optimism is to be found in the recent increasing interest in the jobless and related issues in several parts of the world. The United Nations has called for a World Summit in 1995, with significant private sector participation as advisers. Other groups are being formed or redirecting attention to chronic unemployment and job creation. A short time ago I accepted the chair of the Steering Committee of the Caux Round Table based in Switzerland. This group seeks to monitor global economic tensions, formulate workable principles for international business, and wherever possible foster reconciliation on the basis of values rather than issues, i.e., what is right rather than who is right. Jobs is now the number one agenda item.

Thoughtful people are striving hard for to find fresh approaches to reduce unemployment. In early discussion stages are such long range global programs of hope and economic potential as a goal to bring electricity to every one on earth in fifty years -- financed possibly by 50 or 100 year bonds. If feasible, it could create untold jobs and markets. A host of other ideas include: linking mandatory training and service to unemployment compensation; regular sabbaticals for training; job sharing; national service as a prerequisite to careers; more home-family qualified positions; neighborhood crime-drug surveillance jobs; more volunteer incentives. Obviously, money is required, but fear of the social consequences of chronic unemployment and need to protect living standards are being projected to bring Western communities and nations together in their mutual interest with more funds forthcoming.

These activities and ideas offer encouragement. The first step in resolving any problem is to understand what is involved. This first step is being taken on the unemployment issue in many places. The second step is to develop and discuss the alternatives or choices for action, inasmuch as inaction will not be possible. Here again, some progress is being made. The third step is to take action on a pilot scale and spread the word whenever successes are achieved.

The strongest basis for American optimism always is our flexibility in meeting crises. No other nation has this basic strength to the same degree.

Keep an eye on Generation "X" -- i.e., American young men and women in their 20's and early 30's. I find them eager to lead -- anxious for change -- ready to prove there is a better America ahead -- and possessing a healthy mixture of personal ambition and compassion for others -- with less interest in money. I'm betting on them!!

America's Cold War "Vision for Destiny" lost its meaning several years ago. We urgently need a new one. In the past our people have rallied to national calls which have had personal significance: Westward Ho (opportunity frontier) -- No More Financial Panic (early 1900's leading to the Federal Reserve) -- Make the World Safer For Democracy (World War I) -- New Deal (Great Depression) -- Victory Over Tyranny (World War II) -- Communism-Evil Empire (Cold War).

Any new vision must help meet the strong public desire for improved-safe-less stressful quality of life in an unsettled competing world. We need a national revival of teamwork and togetherness. For several decades Americans have turned to self - what's in it for me? - for strength and now find that wanting. Let's use more "we" and less "I" as we look ahead.

Can our vision be: 1) Build a Better America?; or 2) Make America Better -- Together?; or 3) We'll Help America Today!! -- or what's your vision?

How Can I Help???

This is not the first time I've been asked to end my talk with a "What Do I Do Now?" question. Despite our differences, we Americans still have much more in common. Let's therefore consider what each of us can do to help ourselves and our families.

First, strive to develop a positive mind set that anticipates -- and tries to welcome -- change. Not all change, of course, is good. But, we're living in history's greatest period of overall change. We must make the best of it. We can't afford to become bitter and miserable fighting change. Second, see crises as opportunities for each one of us to make changes which previously might have been impossible. Third, prioritize and build on our strengths; weaknesses are usually tougher to handle. Fourth, expect the economy to be helpful but not to bail out faulty situations. Fifth, recheck the business ethics and spiritual principles upon which our transactions and living depend; focus on trust, for without it, real progress will be difficult, if not impossible. Sixth, stress team efforts rather than go it alone. Seventh, look for the international dimension in most of what we do. Eighth, keep personal investments well diversified and fairly short term. Ninth, acquire a new skill every decade or less. Tenth, never lose confidence in America -- there is no better place!!!!

Summary and Conclusion

My theme today has revolved around the word "help" -- ourselves and others. We Americans must strive to be the best in our highest priority endeavors and join the best elsewhere to achieve other objectives.

Our goal must be to rebuild confidence in ourselves and in so doing renew confidence across the nation and in due course the world. Confident people are action people. Only action people help create jobs, so urgently needed.

My "third wave" (combining high technology and low cost developing nation labor) obviously poses a threat, but also a great opportunity to bring the Western industrial nations into more mutual synergistic relations; let's help other nations prosper through enlarged home employment, greater purchasing power, and wider markets for advanced quality U. S. and Western goods and services. By helping others we help ourselves.

Business managements, through financially driven downsizing, have alienated a whole generation of workers. They have some urgent fence building to do in enhancing peoples skills, and must look beyond their own organizations to the total job market. The Western countries have much to lose if they ignore or downplay the rising "jobs" challenge.

I look ahead with considerable personal optimism. Unemployment is certain to get increasing U.S. and global attention. Remedial action will be forthcoming slowly, but the U.S. will find answers as soon or sooner than others.

Let's all try harder to hang up more "help wanted" signs!!!

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